SOHO 中國 CHINA

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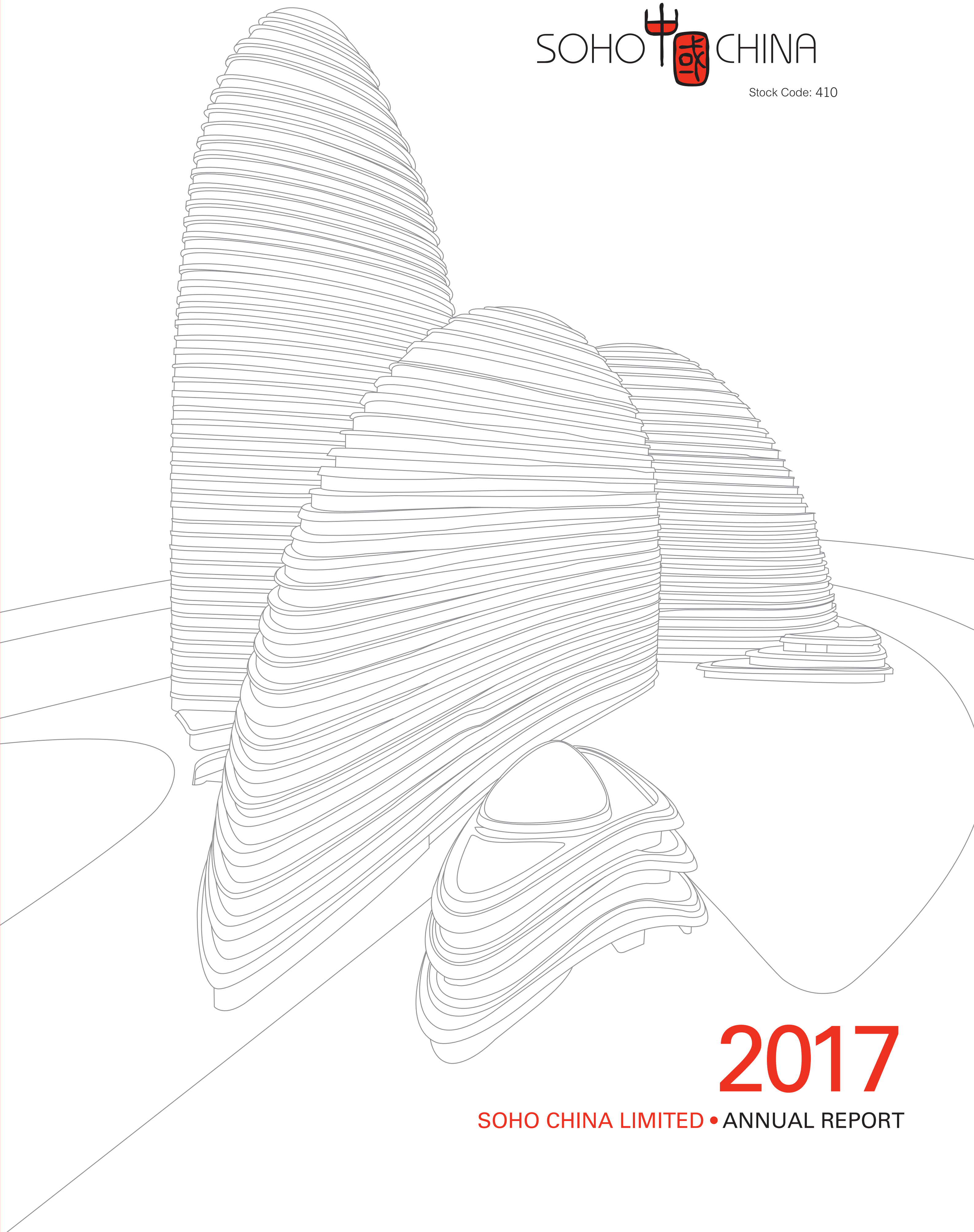


2017

SOHO CHINA LIMITED • ANNUAL REPORT

SOHO CHINA

The board (the "Board") of directors (the "Director(s)") of SOHO China Limited (the "Company", "We" or "SOHO China") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Year" or the "Period"), which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2017 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company (the "Audit Committee") and approved by the Board on 20 March 2018.

During the Year, the Group achieved a turnover of approximately RMB1,963 million, representing an increase of approximately 24% compared with 2016, of which RMB1,669 million came from property leasing, up approximately 11% as compared with 2016. The gross profit margin of property leasing of the Group during the Year was approximately 80.5%. Net profit attributable to equity shareholders of the Company for the Year was approximately RMB4,733 million, representing an increase of approximately 420% year over year, due to higher valuation gain on investment properties during the Year.

On 22 August 2017, the Board recommended the declaration and payment of a special dividend of RMB0.346 per share (the "Share(s)") to the shareholders (the "Shareholder(s)") of the Company, which had been approved by Shareholders at the extraordinary general meeting of the Company held on 27 September 2017. On 15 November 2017, the Board approved the declaration and payment of a special interim dividend of RMB0.576 per Share. Both special dividends had been paid to Shareholders who were qualified to receive the dividends based on the register of members of the Company as at the relevant record dates.

The Board did not recommend the declaration of final dividend for the year ended 31 December 2017.

CONTENTS

CHAIRMAN'S STATEMENT

In 2017, China's economy saw a moderate and improved performance with a GDP growth of 6.9%, or 0.2% higher than 2016. In 2017, Grade A offices in Beijing and Shanghai have continuously exhibited stable rental, while vacancy rate remained at a relatively historic low level, though modestly higher than 2016, implying a comparatively balanced and stable office rental market environment.

The Group's investment properties were also running stably in 2017. SOHO Tianshan Plaza, which was launched for leasing in 2017, achieved an occupancy of approximately 64% as at the end of 2017. Meanwhile, the average occupancy rate for the Group's other properties under leasing was recorded almost full occupancy at approximately 97% as at the end of 2017. Since April 2017, the Group has applied asset management company business model for the projects to improve the efficiency and quality of property leasing. General managers of the asset management companies are in full control of the overall leasing, property management and maintenance, quality control, marketing and profitability of their respective projects. Through systematic and collaborating efforts covering all aspects of property management, the Group took a holistic approach in management and coordination, in order to give vigor to the operation of each real estate project. As a result of the implementation of asset management system, both of the rental and the occupancy rate of the Group's investment properties have shown improvement in various levels.

At present, the Group still has two projects under construction, which are SOHO Leeza in Beijing and Gubei SOHO in Shanghai. According to the current development schedule, the whole investment property portfolio is expected to be fully completed by mid-2019, by then SOHO China will hold quality offices in prime locations of Beijing and Shanghai with a total gross floor area (the "GFA") of approximately 1.4 million sq.m..

In 2017, the overall market environment remained unchanged with prime assets continued to be valued at a historic high level. During the Year, the Group entered into two agreements in relation to the disposals of Hongkou SOHO and Sky SOHO in Shanghai, with the agreed assets prices at RMB3.573 billion and RMB5.008 billion respectively, after the successful sale of SOHO Century Plaza in 2016. The selling prices exceeded project's cost by approximately 53% and 85% respectively and exceeded project's revalued book value by approximately 3.7% and 7.9% respectively, implying gross capitalization rate at approximately 3.6%. Both the Hongkou SOHO and the Sky SOHO were fully leased and in mature operation at the time of entering into of the disposal agreements. The disposal of both properties had once again proved to the market the high quality, high liquidity and high value of SOHO China's investment properties.

While the traditional office leasing business is reaching maturity, SOHO 3Q, the Group's new shared-office product, recorded a rapid business growth. By the end of 2017, around 17,000 seats in 19 SOHO 3Q centers located at the core areas of Beijing and Shanghai were in operation, with an average occupancy rate of approximately 87%. Huge market demand further consolidated the Group's confidence in the shared-office market. In August 2017, SOHO 3Q embarked on a bold national expansion move. As of the date of this report, the Group had signed up new centers in Shanghai, Hangzhou, Nanjing and Shenzhen, totally owning 26 SOHO 3Q centers with approximately 26,000 seats. With more expansionary moves underway, the Group is planning to double the seat number by the end of 2018 on the basis of 2017.

Tenants of SOHO 3Q come from various thriving industries, including IT, education, finance, consulting, media and culture. They are at vastly different stages of development ranging from startups, companies of good scale with over a thousand employees, to matured corporations and even listed corporations. We see that more major corporations and enterprises are seeking to relocate some of their departments and functionalities to shared offices. The work life in the society is now undergoing disruptive changes, resulting in an ever-growing demand for flexible and mobile way of working. The Internet and advancement of information technology have revolutionized the way businesses are conducted, and shared-office is the latest answer that adapts to social demand.

While profitability and asset value appreciation may serve as a gauge to evaluate a listed company, an even more important indicator is the type of services and products created and offered to the people because that is where the true value of an organization lies in and gives the soul to the Company. All SOHO China's investment properties add value to the society through providing high-quality services. More than 1 million office workers and businessmen work at our 22 projects across Beijing and Shanghai. We provide them with clean air ventilation and the most efficient mobile networks. SOHO 3Q serves the needs of the society through shared offices and new economic models which cover not only startups but also future corporations. After over 2 years of commencement of SOHO 3Q operation, accumulatively more than 4,200 businesses and over 70,000 workers had moved in, and these people are the forefront power of innovation in China, making up the force that drives the society forward. The Group expects to achieve the mission of promoting social progress and serve the community through fulfilling the needs of these people.

BUSINESS REVIEW

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 2017 *(RMB'000)*	Occupancy Rate[2] as of 31 December 2017	Occupancy Rate[2] as of 31 December 2016
		Completed Projects – Beijing		
Qianmen Avenue project	35,317	111,442	100%	96%
Wangjing SOHO	148,417	370,830	99%	97%
Guanghualu SOHO II	94,279	248,176	97%	97%
Galaxy & Chaoyangmen SOHO	44,197	95,778	98%	93%
		Completed Projects – Shanghai		
SOHO Fuxing Plaza	88,234	202,913	95%	97%
Sky SOHO	128,175	193,003	99%	94%
Bund SOHO	72,826	193,963	96%	96%
SOHO Tianshan Plaza	95,385	34,924	64%	N/A
Hongkou SOHO[3]	70,042	76,800[3]	99%[3]	95%
		Projects Under Construction – Beijing and Shanghai		
SOHO Leeza – Beijing	133,780	N/A	N/A	N/A
Gubei SOHO – Shanghai	113,416	N/A	N/A	N/A

Notes: 1. *Attributable to the Group.*

2. *Occupancy rate for office and retail.*

3. *Hongkou SOHO disposal transaction was completed on 27 July 2017. The above occupancy rate for Hongkou SOHO was as at the end of July 2017. The rental revenue was for the seven months ended 31 July 2017.*

Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing, consisting of a total GFA of approximately 510,000 sq.m.. The project comprises three towers (Towers 1, 2 and 3), among which Towers 1 and 2 were mostly sold in 2014.

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

Wangjing area has become the emerging hub for internet companies in northeast of Beijing. Wangjing area is also home to the headquarters of many prestigious multinational companies in the People's Republic of China (the "PRC") such as Daimler, Siemens, Microsoft and Caterpillar. Wangjing SOHO, with a height of nearly 200 meters, is the first landmark and a point of access to central Beijing from the airport expressway.

MAJOR PROJECTS IN BEIJING

Guanghualu SOHO II is located at the heart of the central business district in Beijing, close to subway lines 1 and 10. The total GFA of the project is approximately 165,201 sq.m. and total leasable area attributable to the Group is approximately 94,279 sq.m., including approximately 63,308 sq.m. of office area and approximately 30,971 sq.m. of retail area. The project was completed in November 2014. Guanghualu SOHO 3Q, the flagship 3Q for SOHO China, is located on B1 to second floor of Guanghualu SOHO II, totalling 3,564 seats.

Qianmen Avenue project is located in the Qianmen area immediate south of Tiananmen Square, within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. We have the right to retail area of approximately 54,691 sq.m., of which approximately 35,317 sq.m. is currently available for lease. The Group has been working towards its goal of developing Qianmen Avenue into a premier "tourist destination". Leveraging on its massive visitor traffic, we aim to continue to attract and retain high-quality tenants that fit the positioning of the project.

SOHO Leeza is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is adjacent to the planned subway lines 14 and 16. Located between Beijing's West Second and Third Ring Roads, the Lize Financial Business District is expected to be developed into Beijing's next financial district, acting as an extension to Beijing's current Financial Street which we believe is one of the most expensive office markets in the world. The Lize Financial Business District is planned to provide quality offices, apartments, exhibition centers, commercial zones and leisure facilities aiming to accommodate the increasing demand arising from the continued expansion of financial companies around the current Financial Street area.

SOHO Leeza has a total planned GFA of approximately 172,800 sq.m., and a total leasable GFA of approximately 133,780 sq.m..

The project is currently under construction. The Group intends to hold SOHO Leeza as investment property.


SOHO

SOHO Fuxing Plaza is situated at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway lines 10 and 13. It is right next to Shanghai Xintiandi, the most bustling and diverse commercial area of Shanghai. SOHO Fuxing Plaza has a total GFA of approximately 124,461 sq.m. and a leasable area of approximately 88,234 sq.m., of which approximately 46,344 sq.m. is for office use and approximately 41,890 sq.m. is for retail use. The project was completed in September 2014.

MAJOR PROJECTS IN SHANGHAI

SOHO FUXING PLAZA

Sky SOHO is located in Shanghai's Hongqiao Linkong Economic Zone, adjacent to the Shanghai Hongqiao transportation hub, which is the convergence point for a variety of transportation systems in Shanghai including Hongqiao International Airport, Hongqiao High-Speed Railway and the subway.

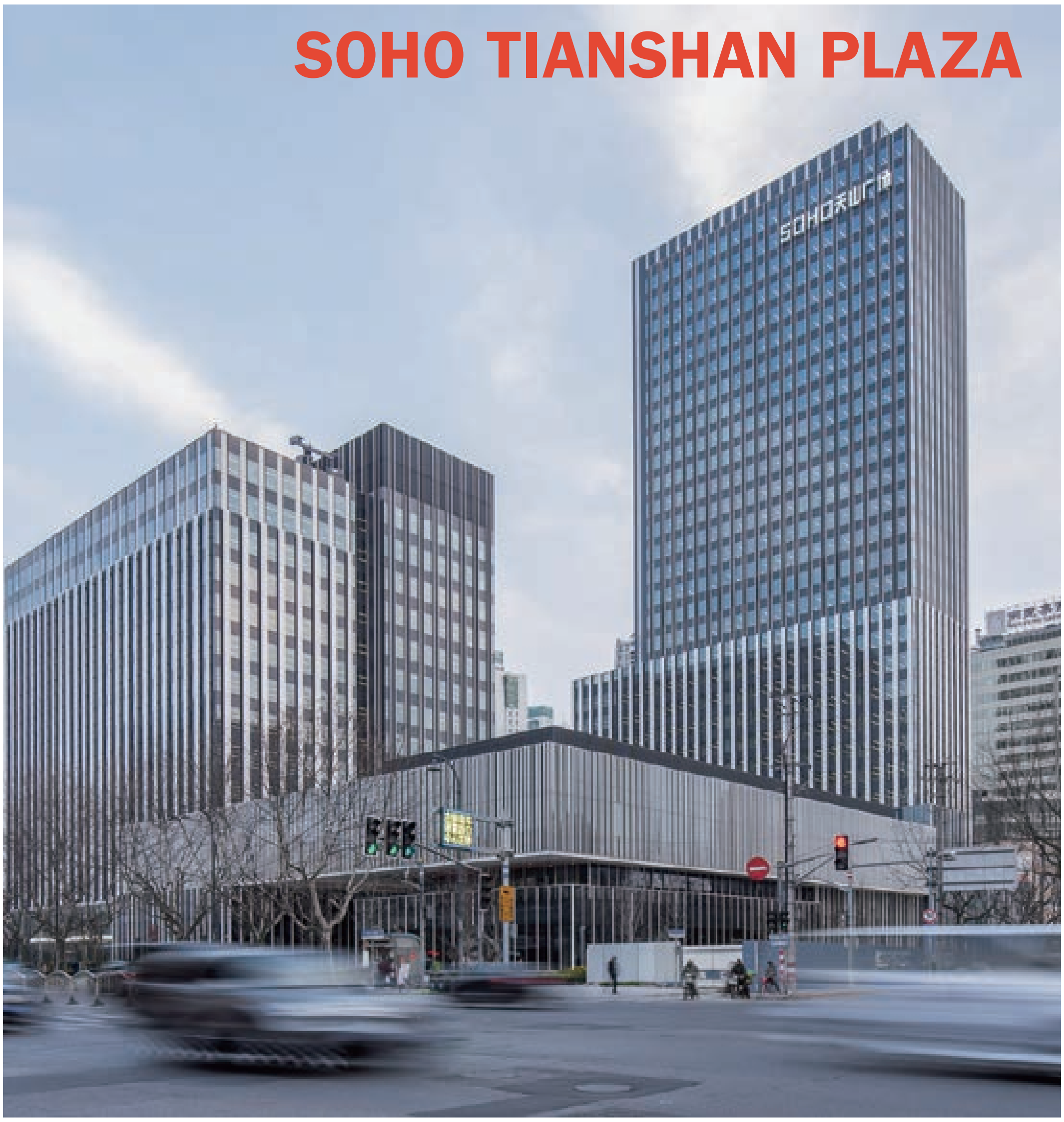
Sky SOHO was completed in November 2014. Following the disposal of approximately half of the total leasable area of the whole project to Ctrip affiliates in September 2014, the Group held the remaining parts of the project with a leasable area of approximately 128,175 sq.m., which consists of approximately 103,014 sq.m. of office area and approximately 25,161 sq.m. of retail area, as investment property. The Group entered into an agreement to dispose of Sky SOHO on 17 October 2017. Please refer to the paragraph headed "Sales of Project Interests" below for more details.

Bund SOHO is located on the Bund in Shanghai. Bund SOHO is very close to Shanghai's famous City God Temple and next to the Bund's multi-dimensional transportation hub and yacht wharf.

The Group is entitled to a leasable GFA of approximately 72,826 sq.m., including approximately 51,317 sq.m. of office area and approximately 21,509 sq.m. of retail area. The project was completed in August 2015.

SOHO Tianshan Plaza is located at a prime location in the Hongqiao Foreign Trade Center in Changning District in Shanghai. The Hongqiao Foreign Trade Center area is Shanghai's first central business district for foreign enterprises and a gathering place for Changning's office, business and high-end residential apartments. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan Plaza has direct access to Loushanguan Station on subway line 2.

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



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

We acquired the land use right to this parcel of land through a successful bid of RMB3.19 billion in April 2013. The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Ma'nao Road to the west and the Hongqiao Road to the north. After completion, the project will be accessible underground from Yili Station on subway line 10 and will be in close proximity to the Gubei Takashimaya Shopping Mall, Gubei Fortuna Plaza and other Grade A office buildings.

The project has a total GFA of approximately 158,648 sq.m., of which above-ground GFA is approximately 113,416 sq.m.. The Group intends to hold the Gubei SOHO as investment property. The project is currently under construction.

SALES OF PROJECT INTERESTS

On 24 June 2017, the Company and Key Position International Limited, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of Hongkou SOHO with an independent third party purchaser, details of which were disclosed in the Company's announcement dated 24 June 2017. The agreed assets price of Hongkou SOHO was RMB3,573 million, which was approximately 53% and 3.7% higher than its total cost and revalued book value as at 31 December 2016, respectively. The transaction had been completed on 27 July 2017.

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

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the second Environmental, Social and Governance (ESG) report of the Group, which is its ESG Report for the year ended 31 December 2017. We aim to engage with stakeholders and enhance mutual understanding through such disclosure of our concepts and practices on sustainable development, thus proactively driving forward continuous improvement in the future. This ESG report was prepared with reference to and based on the "comply or explain" provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules and covers the ESG matters of the Group during the Year.

This report focuses on the operations of SOHO China in terms of environment, social and governance from 1 January 2017 to 31 December 2017. All data are from SOHO China's internal documents or statistical reports, and the reporting scope of the environmental performance data of this year only included the investment properties of the Group.

1. THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

The core concept of SOHO China's ESG management is to help the environment, economy and society to achieve sustainable development. At the same time, we wish to identify stakeholders' rights and provide our society with value-added services. Through this report, we hope to share with the public and our stakeholders about our ESG performance and obtain more feedback for future enhancement.

STAKEHOLDER ENGAGEMENT AND RESPONSE

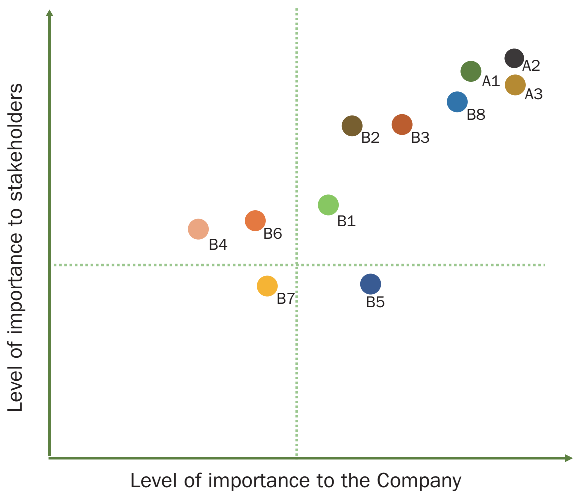
In order to engage with major stakeholders' most updated needs, SOHO China has been proactively communicating with them and giving positive responses through multi-channels. Our major stakeholders include: Investors & Shareholders, Regulatory Authorities, Employees, Suppliers, Consumers and Community.

Major Stakeholders	Expectations and Requirements	Communication and Responses
Investors & Shareholders	• Return on Investment • Operational Risk Mitigation • Protection of Shareholders' Rights • Information Disclosure	• Improvement in Operation Efficiency • Perfection in Management System • Mutual Trust Building with Investors • Disclosure of Financial Reports Periodically
Regulatory Authorities	• Compliance with Relevant Laws and Regulations • Information Disclosure • Booming Local Economic Development	• Positively Observing Local Laws and Regulations • Submission of Supervision Reports Periodically • Complying with National Policy and Taxpaying Proactively

Major Stakeholders	Expectations and Requirements	Communication and Responses
Employees	• Welfare Benefits • Career Development and Promotion • Occupational Health • Equal Opportunity	• Fair Remuneration • Diversity in Training Channels and Programmes • Protection in Employees' Rights • Public Recruitment
Suppliers	• Honesty and Promise Keeping • Public and Transparent Management • Mutual Benefits	• Sincere Cooperation • Responsible Procurement and Periodical Inspection • Active Communication
Customers	• Honesty and Promise Keeping • Service Quality • Compliant Handling • Consumer Privacy Protection	• Compliance in Sales Services • Control in Service Quality • Mechanism in Compliant Handling • Mechanism in Client Information Privacy Protection
Community	• Charity and Public Welfare • Driving for Community Development	• Organizing Charity Activities • Promoting Educational Charity Work for Local Community

Materiality Assessment

Based on the work performed in the previous year, the materiality assessments were conducted multiple times in 2017 through online questionnaire, group discussion and phone interview to understand the stakeholders' expectations and key ESG topics highly related to the business nature of SOHO China. Accordingly, we determined the matrix of key topics on SOHO China's 2017 ESG agenda. The annually stakeholders engagement casts an important role in helping identify the areas to be improved, and we also hope, from the engaging results, to be capable of sorting out weak links for improvement and preparing targeted response in this report to enhance its quality.



A1: Emissions
A2: Use of Resources
A3: The Environmental and Natural Resources

B1: Employment
B2: Health and Safety
B3: Development and Training
B4: Labour Standards
B5: Supply Chain Management
B6: Product Responsibility
B7: Anti-corruption
B8: Community Investment

2. ENVIRONMENTAL RESPONSIBILITY

As the largest prime office property developer in Beijing and Shanghai areas, SOHO China has been exploring different approaches for sustainable development of construction projects and sees itself as a practitioner on green development and energy-saving. SOHO China has always strictly abided by laws and regulations on environmental protection and resource utilization. Moreover, with positive response to the national policies on environmental protection and green development, we strive to build green buildings, improve energy usage effectiveness and reduce greenhouse gas and other emissions.

Green Design and Construction

SOHO China has adopted Leadership in Energy and Environment Design (LEED) prerequisites into its Building Design Manual since the year of 2012 and integrated them into its routine design. The LEED for Core and Shell (LEED-CS) Rating System has been applied in new construction and major reconstruction projects. Under LEED-CS Gold certification standards for projects in construction, six categories are evaluated comprehensively by scores, including Sustainable Site, Water Efficiency, Energy & Atmosphere, Materials & Resources, Indoor Environment Quality and Innovation. To be specific, the category 1, the category 3 and the category 5 mainly concern reduction in air emission and greenhouse gas. The category 2 and the category 3 relate to the improvement on recourse usage effectiveness, and the category 4 emphasizes on the management of solid waste.

As at the end of 2017, there were seven projects certified or pre-certified with LEED-CS, including Wangjing SOHO, Guanghualu SOHO II, SOHO Fuxing Plaza, Bund SOHO, SOHO Tianshan Plaza, Leeza SOHO and Gubei SOHO.

Reduction in Air Emissions

We primarily choose low-volatile materials to reduce smelly, potentially irritating and harmful indoor air pollutants. This would ensure a healthy and comfortable work and living environment for construction installation workers and users. Volatile Organic Compounds (VOC) content in adhesives and sealants we use is lower than the specified limit in the latest *No. 1168 Local Regulation of South Coast Air Quality Management District*. VOC contents in paints and varnishes are within the respective limits required by “Green Seal” Standard GS-11. Carpets used are in compliance with or go beyond the requirements stipulated in the *Green Label Indoor Air Quality Test Program* of the Carpet and Rug Institute, that is, VOC contents in all carpet pad adhesives are within the limit of 50g/L according to EQ Credit 4.1. Synthetic wood and fiber products used in construction, that is, particle plate, medium density fiberboard, plywood, wheat straw particle board, straw board, basic panel and door plank (materials used for fitting, furniture and equipment are not included), are all free from additive urea formaldehyde resin composition. All indoor synthetic wood and fiber products do not contain any additive urea-formaldehyde resin. Moreover, adhesives used in construction and the assembly line of suppliers providing synthetic wood and fiber products also contain no additive urea-formaldehyde resin.

It is also forbidden to use refrigerants containing CFC (chlorofluorocarbons) in heating systems, ventilation systems, air-condition systems and cooling systems (HVAC). Only environmental refrigerants can be used for refrigerating machines specified in HVAC design, and coolants that meet the national environmental requirements are eligible to be used in the water chiller units.

Energy Efficiency

From the perspective of building design, SOHO China designs parameters in a reasonable manner, including indoor parameters and lighting power density (lighting power density values for different functional zones are listed under electrical design in design notes). Energy load calculation is optimized to reduce cooling and heat load demand, and the design of external enclosure structure is improved. For example, heat transfer coefficient, shading coefficient and air tightness of glass curtain wall are optimized to reduce the loss caused by heat transfer between the inside of the wall and the outside as well as solar radiation. Besides, we choose highly efficient cooling and heating sources, power transmission equipment and terminal devices, and design practical heat recovery systems to reduce the energy consumption. Free energy, such as solar energy and outdoor air, is utilized to reduce energy consumption of cooling and heating sources and related systems. From the perspective of energy-saving strategies, SOHO China designs sound system operation and control strategies, such as start/stop time control and different operation strategies to adapt to different seasons. What's more, we take into consideration of system operation and maintenance strategies for the life span of buildings, to ensure building systems keep running under "energy-saving pattern" described in optimized design scheme. From the perspective of employees, SOHO China delivers "energy-saving" education to employees engaged in equipment operation and indoor operation, to enhance "energy-saving through behaviors of our employees".

In addition, we encourage users of the buildings to travel in an environmental-friendly way through equipping public transport facilities in our project design, in an attempt to reduce air emission and greenhouse gas. We provide spaces for bicycles parking, dressing and shower facilities and designate convenient parking spaces for vehicles with low-volatile and energy-efficient fuels, which account for 5% of the total parking capacity. At the same time, two-year-or-above preferential policies are applied for such vehicles with approximately 20% reduction in parking charge. Moreover, selective refueling and charging stations are installed to reach approximately 3% of total parking capacity.

Soil Efficiency

SOHO China has prepared and implemented control plans to prevent soil erosion and pollution during the construction period. Special attentions are paid to soil erosion and sediment control. We take a series of measures on site, such as protection of original vegetation, soil stabilization and installation of sedimentation basin, to minimize soil erosion and sedimentation impact.

Meanwhile, land use efficiency is properly improved by project design. Our projects are surrounded by well-developed residential areas and meet the density requirement of 10 units/acre. At the same time, at least 10 amenities are equipped within the scope of 1/2 mile (800m). During construction, transportation convenience is also taken into consideration, and bicycle parking space and dressing rooms are provided accordingly.

Water Efficiency

We lay emphasis on water-saving measures for projects under construction. Accordingly, storm water control, flood flow reduction and separation of suspended solid from storm water are implemented in construction projects. We advocate the use of water-saving appliances, such as dual flush toilets and low-flow taps. Induction faucets and flashing valves are also installed in public toilets to reduce the volume of rinse. In addition, advanced sprinkling irrigation technology is adopted to use collected rainwater and recycled water from buildings, which reduces the consumption of drinking water for irrigation by approximately 50% compared with traditional ways.

Item	2017
Municipal Water (tonnes)	326,597.10
Water intensity (tonnes/sq.m.)	0.47

Resources Efficiency

We have developed and implemented Waste Management System for projects under construction to ensure that at least 75% of waste generated by construction, dismantlement and site clearing is recycled. Recycling materials mainly include concrete, steel bar, brick, window frame, door and glass. We advocate the use of recyclable materials or materials with recyclable ingredients in project construction to reduce the material consumption.

Solid Waste Management

The Company has endorsed and implemented Waste Management System for projects at construction stage, which specifies that at least 75% of waste generated by construction, dismantlement and site clearing should be recycled. Recycling materials, such as paper, cardboard, glass, plastic and metal, are stored in convenient sites temporarily and eventually passed to relevant qualified third-party companies for treatment.

Item	2017
Construction and demolition (tonnes)	21,972.00

Green Operation

At the stage of operation, SOHO China's main impact on the environment and natural resources arises from energy consumption and carbon emission generated thereby. Our greenhouse gas emissions mainly come from energy consumption and the greenhouse gas caused thereby, and the largest carbon emission source is the indirect emission resulted from electricity consumption.

Reduction in Greenhouse Gas Emissions

SOHO China strictly abides the *Notice of Beijing Municipal Commission of Development and Reform on Pilot Implementation of Carbon Emission Transactions* and other relevant local regulations to actively control the emission of greenhouse gases such as carbon dioxide, and establishes a sound regulation system. At the same time, we have been proactively participating in voluntary reduction of greenhouse gas emission transaction and strictly follow *the Interim Measures for the Administration of Voluntary Greenhouse Gas Emissions Reduction Transactions* issued by the National Development and Reform Commission of the People's Republic of China.

Since 2013, we have set up the Energy Management Platform to collect massive energy data in real time and analyze such data to detect energy saving opportunities as well as taking countermeasures. Meanwhile, we have established a series of energy management systems, using data collected from the Energy Management Platform for project ranking and performance management. Comprehensive control has been exerted for energy consumption at the operational stage to reduce greenhouse gas emissions.

Energy Utilization

As at the end of 2017, we had established 7 energy management systems and equipment and facility management systems, including the *Provisions on Public Lighting Management*, the *SOHO 3Q Energy Saving Management System*, the *Energy Data Management System*, the *Office Energy Saving Management System*, the *Equipment and Facility Management System and the Accounting Method for Energy Performance Assessment Profits of Asset Management Companies*. At the same time, we constantly improve related systems based on the actual situation, and promote rational use of resources, energy conservation and emission reduction through various management systems.

Wangjing SOHO Introducing Full Life-cycle Energy-saving Management
The annual electricity consumption (excluding heating) of Wangjing SOHO is 70 kWh/m^2,[1] representing an energy saving rate of approximately 40% compared with that of typical office buildings in Beijing of 116 kWh/m^2.

Note:

1. *The electricity consumption refers to the total annual consumption of Wangjing SOHO, which consists of leasable use area and public use area.*

Energy Management Platform

In 2013, SOHO China took the lead in introducing 3D BIM (building information modelling management system) technology for energy management, which has redefined the visualization and expression of energy information. The Energy Management Platform integrates several weak electron systems and numerous sensors to collect huge amounts of data in real time, with responsive data points as many as 50,000 and cumulative energy data storage of 573G. We continued to promote the use of the system within the Group, and newly launched the Energy Management Platform of SOHO Tianshan Plaza in 2017, which further enhanced our energy conservation management. In 2017, SOHO China generated a total of 275 analysis reports, held 257 regular energy conservation meetings and produced 5,254 energy alarm worksheets, with a completion rate of approximately 97.1%.

Equipment and Facility Management

We have established the Equipment and Facility Management Platform and related management system since 2016 to deliver sound management for 250,000 equipment and facilities, including standardized information management for daily accounts, standardized inspection management and standardized maintenance management. Platform-based management serves the purposes of equipment and facility life span extension, reduction in energy consumption and increase in resources utilization. At the same time, inspection, maintenance and repair have been transferred to an on-line platform for management, reducing paper records and paper consumption.

Item	2017
Energy Consumption (mWh)	31,569.90
Direct Energy Consumption (mWh)[1, 2]	1,929.74
Natural Gas (mWh)	1,929.74
Indirect Energy Consumption (mWh)	29,640.16
Electricity (mWh)	29,640.16
Energy intensity (mWh/sq.m.)[3]	0.046
Carbon Emissions (Scope 1 & 2) (tonnes of CO_2e)[4]	22,102.22
Direct Carbon Emission (Scope 1) (tonnes)	1,239.54
Natural Gas (tonnes)	1,239.54
Indirect Carbon Emission (Scope 2) (tonnes)	20,862.68
Purchased Electricity (tonnes)	20,862.68
Carbon intensity (tonnes of CO_2e/sq.m.)	0.032

Notes:

1. *The energy consumption only includes public use area.*

2. *There is no diesel, coal or other direct energy use in the scope of disclosure. Energy consumption data is converted by factors documented in the general principles of the comprehensive energy consumption calculation (GB/T 2589-2008), which was formulated by the State Administration of Quality Supervision and Quarantine of the People's Republic of China and China National Standardization Management Committee. Major energy consumption includes electricity and natural gas.*

3. *Energy consumption intensity refers to energy consumption per sq.m..*

4. *The list of greenhouse gases includes carbon dioxide, methane and nitrous oxide, mainly from the purchase of electricity and natural gas. Greenhouse gas calculation was based on the carbon dioxide equivalent, by applying the conversion factors, which were issued by the Beijing National Development and Reform Commission and Shanghai National Development and Reform Commission, and the 2006 IPCC national greenhouse gas inventory guide for accounting, which was published by the Intergovernmental Panel on Climate Change (IPCC).*

Energy-saving Adjustment and Renovation

In terms of specific project management and renovation, SOHO China continues to develop energy-saving adjustment measures and project energy-saving renovation measures.

Continuous energy-saving adjustment measures:	Energy-saving renovation measures delivered by SOHO China in 2017:
• Abnormal electricity utilisation analysis and management; • Running time management of indoor and outdoor lighting in public areas; • Cold station operation optimisation and debugging; • Optimised control of indoor environment temperature; • Operation optimisation and debugging of variable air volume system; and • Domestic hot water system.	• Energy performance contracting of Sanlitun SOHO cold station; • Electric heat tracing control renovation of Jianwai SOHO basement; • Galaxy SOHO toilet lighting control renovation; and • Continuous public area LED lighting refitting.

Energy Performance Management

In 2017, the Company issued the accounting method for energy assessment of asset management companies. The energy assessment profit is summarized into the assessment profit of the asset management company and rewarded according to the excess profit incentive system. The assessment focused on energy data selecting directly by the Energy Management Platform, whereas the project company assessed public area energy and profits, so as to effectively promote the independence of energy management and reduce energy consumption at project public areas.

Sharing Office SOHO 3Q

SOHO 3Q is a new generation of shared-office product that we initiated at the era of sharing economy. Through standardized concentrated design and space sharing in public areas, it allows SOHO 3Q to optimize space utilization and the number of people using the space. SOHO 3Q not only provides fashionable, flexible and convenient services for clients, but also reduces energy consumption per capita. Through the transition of business model, SOHO China contributes even bigger impact on energy saving and emission reduction.

Since such business was introduced in 2015, SOHO 3Q has became the largest sharing office space in China. In 2017, we promoted the application of standardized energy management system in SOHO 3Q step by step. So far, 3Q design criteria has been updated accordingly, and measures such as energy system network, data analysis and temperature control have been implemented to improve energy efficiency in an effective manner.

Item[1]	2017
Non-hazardous waste (tonnes)[2]	32,346.10
General waste (tonnes)	7,836.90
Canteen waste (tonnes)	2,537.20
Non-hazardous waste intensity (tonnes/sq.m.)	0.015
Hazardous waste (tonnes)[3]	0.38
Toner Cartridge (tonnes)	0.0008
Cartridge (tonnes)	0.01
Fluorescent tube (tonnes)	0.36
Hazardous waste intensity (tonnes/sq.m.)	0.0000005

Notes:

1. *Packing materials did not apply to the Company.*

2. *Non-hazardous waste was handled by recyclers, mainly including general waste and canteen waste.*

3. *Hazardous waste was handled by certified suppliers, mainly including toner cartridge, cartridge and fluorescent tube.*

3. EMPLOYMENT AND LABOUR STANDARDS

SOHO China strictly follows the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection on Minors*, the *Law of the People's Republic of China on the Protection of Rights and Interests of Women* and other related laws and regulations, and has developed a sound management system accordingly to ensure the basic rights and interests of employees are guaranteed.

Employment of child labor is strictly prohibited, and a series of policies have been established to ensure that the internal control system is improved to prevent such case from happening. Our Employee Handbook explicitly prohibits hiring child labor. In this regard, relevant materials are required for checking before enrolment, such as graduation certificate, identity card and other certificates.

For labor employed from third party, we strictly follow the national standard as well by setting out basic compliance requirements of human resource management for any third party, aspects including working hours and vacation policy, female employee protection policy and child labor forbidden commitment.

Employment Overview

SOHO China attracts qualified talents who agree upon our philosophy and satisfy our demands for future development through internal competitive selection, on-line recruitment, head-hunting service, staff recommendation and other channels. In the process of recruitment, we adhere to the principles of mutual respect, fairness and impartiality, and treat all candidates equally, without regard to gender, race, religion or any other discrimination. Regarding position setting, standard working hours or irregular working hours are adopted flexibly based on characteristics of different business models and job requirements to prevent any harm on physical or mental health of employees arising from overwork.

Besides, we actively respond to local policies by giving priority to the disabled for positions suitable. SOHO China employed 5 disabled persons in 2017.

Headcount by Gender	**2017**	2016
Total Headcount	**1,985**	2,237
Male	**1,318**	1,496
Female	**667**	741

Headcount by Age Group	**2017**	2016
20-29 years old	**724**	833
30-39 years old	**873**	981
40 years old or above	**388**	423

Employee Compensation Management

SOHO China provides comprehensive compensation and welfare benefits to our employees, such as social security insurance and housing fund in accordance with the national requirements and local policies.

In an attempt to motivate our employees to accelerate for a better and long-term development of the Group, we established the Monthly Performance-Based System in 2016 to evaluate work completion and quality. Evaluation results are divided into ABCD rating levels, and correspond to different levels of performance payment. In 2017, we further improved compensation and welfare benefits for employees of subordinate asset management companies and property management companies to attract and retain qualified employees and better the talent hierarchy. Salaries of low-paid staff have been raised twice, with a rise of nearly 20%. Meanwhile, we further decentralized managing privileges to empower the front-line employees, and rewarded employees in asset management companies and SOHO 3Q communities with commission from excessive net profit.

Health and Safety

SOHO China attaches great importance to the occupational health and safety of our employees and strictly abides by relevant laws and regulations on health and safety. With an objective to minimize health and safety risks, we have established various internal policies, such as the *Management Manual on Quality, Environment, Occupational Health and Safety*, the *Safety Management Manual*, the *Environment and Occupational Health Operation Control Procedures*, the *Control Procedures for Environmental Factor Identification and Evaluation* and *Hazard Identification*, *Risk Evaluation and Risk Control Procedures*, covering occupational health and safety management, fire control safety management, specific high-risk work management, etc.

Occupational Health and Safety Management System

SOHO China has obtained OHSAS18001 (Occupational Health and Safety Management System) certification, and performed supervision and management on production safety in strict compliance with the Occupational Health and Safety Management System in 2017. Under the guidance of OHSAS18001, we have organized employees to identify hazards in workplace and carried out emergency drills on a regular basis, to fully guarantee the health and safety of our employees.

Fire Control and Safety Management

In strict accordance with the *Fire Control Law of the People's Republic of China*, we have equipped corresponding fire control facilities and devices, including firefighting water system, automatic fire alarm/linkage control system, gas leak alarm system, emergency lighting, evacuation indicator sign system, fire extinguishers, fire hydrants and gas fire extinguishing system. In addition, regular check, maintenance and repair on fire control facilities and equipment have been carried out to ensure the fire control system is in good condition. In our *Safety Management Manual* and other internal systems, we integrate safety monitoring management, fire control work standards and fire control emergency plan to ensure effective safety management. All our employees are engaged in safety education and fire control safety trainings to ensure that not only they protect themselves, but also participate in emergency handling when necessary.

In terms of occupational safety, we make contributions to work-related injury insurance for our employees as stipulated by applicable laws and regulations, and organize them to participate in safety trainings and emergency response drills. For high-risk jobs, we provide a series of protection measures based on industry requirements to safeguard the safety of operating staff. At the same time, employees have the rights to decide whether to operate or engage in related work. Employees engaged in special operation are equipped with labor protection products in compliance with the national standards, such as anti-noise earplugs, insulating boots, insulating gloves and anti-static clothing. Hazardous wastes on site are checked monthly, and on-site management personnel are organized in a timely manner to deal with hazards detected to ensure the safety of all staff on site. Besides, we organize employees to identify and control hazardous wastes within the area to ensure the ground in public area is intact and flat, all kinds of manhole covers are in place and in good condition and all kinds of protrusions have warning signs or protection measures in place. We also provide cool drinks for employees who work outdoors in summer to protect them from heatstroke, and pay high temperature subsidies to all employees.

In case of high-risk work carried out by external suppliers, we select qualified suppliers with the state and industry qualifications, require them to strictly follow national laws on occupational health and safety, and force suppliers to provide protection for high-risk jobs.

In addition, we pay great attention to the safety management on construction site. Based on national laws and regulations governing production safety and in combination with prominent problems existing on site, SOHO China formulated the *Measures for Handling Major Safety Accidents in Project Management* in 2017, which required all managerial staff pay special attention to safety management on site and took accidents into account during performance appraisal. The occurrence of an accident will lead to the cancellation of performance bonus for the year. In 2017, there was no serious work-related injury or labour dispute.

Employees' Health and Safety Management

We care about employees' physical and mental health. Companies at all levels within the Group continued to make contributions to extra commercial insurance, organized health examination activities and held occupational health and safety seminars for employees in 2017. Precautionary measures against heat and coldness for our employees were deployed in summer and winter seasons. Besides, most employees in property management companies were newly entitled to full paid sick leave, which helped to mitigate their concerns when got sick. We provide our employees with comfortable working environment, clean drinking water and regular office disinfection to keep a clean and sanitary office. For pregnant female employee, suitable jobs are arranged and they are allowed to wear comfortable and appropriate casual clothes at work. Additionally, breastfeeding mothers are entitled to one-hour breastfeeding leave each working day.

Furthermore, we conducted a series of activities including parent-child games and monthly carnival in 2017 to enable employees to enjoy happy time with their families, which further improved employee satisfaction.

DEVELOPMENT AND TRAINING

SOHO China is acutely aware that the long-term development of an enterprise depends on a sound and solid talent management system. Therefore, we are committed to exploring employees' potential and encouraging personal achievement through balanced development of both the corporate and individual levels, so as to establish a transparent, sunshine and positive working atmosphere.

Training System

We have established different training systems to cater to different development needs of each business segment.

The training system for property management companies comprises trainings regarding professional knowledge, rules and regulations and job skills. Among them, professional knowledge training is consisted of system training, legal knowledge training, energy management training, equipment and facility training. SOHO 3Q training currently covers trainings of all business modules (financial training, energy platform training and design training), customer training, etiquette training, etc. The Commune by the Great Wall has a well-developed training system, which provides hotel staff with various etiquette and practical trainings. At the same time, SOHO 3Q and the Commune by the Great Wall also have full-time training managers to organize trainings on different business modules, as well as specialized courses closely related to different positions.

Knowledge Management Platform

In order to facilitate our staff to develop a good habit of continuous study, SOHO China establishes an internal knowledge management platform, offering online interactive trainings for all kinds of courses. Thus, problems such as cost, time conflict and space limitation have been addressed smoothly and learning efficiency has been improved. We also introduce incentive policies for the development and production of e-courses on knowledge platform. The purpose is to encourage employees to develop learning and sharing courses based on their own job skills, and to integrate their professional knowledge and experience into quick-making courseware and mini-courses. As a result, not only the cost of courseware purchase has been reduced, but also specialized knowledge has been effectively accumulated at the same time.

Future Talent Program

In order to cultivate our future core management team, we have implemented two workforce training programs:

SOHO China Talent Reserve Program
This program serves the purpose of developing the talent team and retaining core employees. The program (Phase I) has attracted 23 excellent employees, 4 of whom have been promoted to managerial positions. The program has laid a firm foundation for attracting and retaining more highly-competent talents.

SOHO China “ELITE” Training Program
This three-year program aims to attract and cultivate outstanding university graduates. The program (Batch I) has recruited 9 management trainees, for whom we provided a series of routine trainings and rotational trainings. Besides, the candidates are tutored by experienced mentors to facilitate their rapid development in SOHO China.

4. SUPPLY CHAIN MANAGEMENT

SOHO China specifies in contract terms that suppliers must comply with applicable local laws and regulations. When making registration on our procurement website, suppliers are required to provide qualification information on industry-specialized certification and system certification. Only those qualified upon review and verification and conforming to our warehousing standards can be officially recognized as a member in SOHO China's supplier base.

We exercise periodical assessment on suppliers in terms of laws and regulations to ensure their compliance. Each newly-introduced supplier has to sign *SOHO China Commitment*, read and accept *SOHO China's Management System for Suppliers on Blacklist*. Once there is any violation of laws, regulations or our procurement policy, we will cease business relationship immediately. Since 2017, we have improved the way of communication and feedback on our procurement platform website to encourage suspicious corruption reporting, and promised to have independent full-time personnel in place for investigation. Meanwhile, our auditing division and procurement center keep close communication with each department to monitor and ensure that the tendering and procurement processes are in line with "Open, Equal and Fair" principles. Besides, we make public on procurement platform website the information of suppliers on blacklist for the reference of social enterprises and individuals, in an attempt to mitigate risks arising from cooperating with those suppliers on blacklist. By the end of 2017, there have been 159 suppliers on SOHO China's blacklist, of which 46 were newly added in 2017.

As at 31 December 2017, the number of suppliers delivering raw materials to the Group reached 13,514, of which 7,979 located in North China and accounted for 59% of the total suppliers, while 4,627 located in East China and account for 34% of the total.

ERP Management
The integration of supply chain management and ERP (Enterprise Resource Planning) allows us to operate supplier management by different service qualification classifications. The database system records suppliers' comprehensive information on business registration, service qualification, contract signing, performance evaluation score, etc. SOHO China has adopted supplier resource sharing strategies to conduct joint tendering and centralized procurement for projects at different places, which reduces the cost of procurement in a dramatic way.

Business Intelligence System
With the Business Intelligence (BI) System, dynamic data at each step in tendering and procurement processes have been demonstrated in a real-time manner, which provide data analysis basis for procurement decision making.

Suppliers by Location[1]	2017
Total suppliers	13,514
Suppliers in East China[2]	4,627
Suppliers in South China[3]	515
Suppliers in Central China[4]	60
Suppliers in North China[5]	7,979
Suppliers in Northwest China[6]	40
Suppliers in Southwest China[7]	51
Suppliers in Northeast China[8]	70
Suppliers in Hong Kong, Macau and Taiwan	48
Oversea suppliers	124

Notes:

1. *The location of a supplier is determined by its registered address.*

2. *East China covers Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong.*

3. *South China covers Guangdong, Guangxi and Hainan.*

4. *Central China covers Hubei, Hunan and Henan.*

5. *North China covers Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia.*

6. *Northwest China covers Ningxia, Xinjiang, Qinghai, Shaanxi and Gansu.*

7. *Southwest China covers Chongqing, Sichuan, Guizhou, Yunnan and Tibet.*

8. *Northeast China covers Liaoning, Jilin and Heilongjiang.*

Green Procurement Concept

All new projects in SOHO China have been designed and constructed in accordance with the *Leadership in Energy and Environmental Design* (LEED) Gold Standards of the U.S. Green Building Council (USGBC) since 2009. In view of green development, SOHO China clearly specifies our standards and requirements on sustainable development of buildings in tender documents, including pollution control, waste management, the use of renewable materials and local materials in construction, the use of low emission materials and energy system debugging. Besides, our suppliers are required to perform contracts in strict accordance with such requirements.

We launched an online bidding system in 2017 after absorbing internal and external suggestions. The system offers two kinds of bidding modes: time-extension bidding and round bidding. In time-extension bidding, suppliers can bid freely within a specified countdown that will be restarted by a new bid. In round bidding, suppliers make their bid in a specified round at specified time, and the bidding ends when the round is over. The adoption of time-extension bidding allows suppliers to login and participate in the bidding at any place, reducing resource consumption caused by travel, which also corresponds to SOHO China's concept of green and low carbon development.

5. PRODUCT RESPONSIBILITY

Intellectual Property

In contracts signed with third party, we specify that the copyright in software development and scheme design belongs to SOHO China, and supplement confidentiality terms in major contracts. Issues related to intellectual property in our contracts will be further specified in a separate agreement with each of these third parties. For major projects, suppliers are required to sign the confidentiality agreement at the beginning of a project. No confirmed confidentiality and copyright violation related incidents were recorded in 2017.

Customer Information and Privacy Protection

We firmly abides the national laws and regulations to carry out work on consumer information and privacy protection, to ensure that no third party can access personal privacy information of customers without prior permission. Regarding security management of our systems, we have clear requirements on security, and employ external audit institutions for supervision and audit, to ensure smooth and safe operation of the systems.

For hard copy and electronic version of customer information, SOHO China has designated personnel to regularly manage data with designated computers to enhance customer data security and prevent any legal risk arising from customer information leakage and safeguard customer privacy in a practical and effective way. We will conduct a strict internal review for requests on checking some private information from functionaries in government organs (e.g. court, procuratorate, police station) with right-to-query and legal documents.

Furthermore, we carry out unified trainings for employees on new business launched and emerging issues related to consumer privacy protection.

Property Management Services

We are committed to undertaking social responsibilities and delivering quality property management services. In terms of property management, SOHO China has developed the *Management Manual on Quality, Environment, Occupational Health and Safety*, the *Customer Service Management Manual*, the *Engineering Management Manual*, the *Environmental Management Manual*, the *Safety Management Manual* and other rules and regulations, in an attempt to deliver healthy, safe and high-quality property management services through practical implementation of these rules and regulations.

We conduct inspections and tests on a regular basis for elevators, secondary domestic water, sewage discharge and firefighting facilities according to requirements in the relevant national laws and regulations. At the same time, we have developed and launched a special equipment management platform for real-time monitoring, to ensure that the equipment is in good condition. In early 2017, we issued the *Equipment and Facility Management Platform System*, covering work related to equipment accounting, inspection, maintenance, repair, energy consumption statistics, etc. Based on this system, first-line engineers can operate directly on the platform to ensure reliable and efficient operation of each facility. The Quality Assurance Department checks monthly the performance of on-site service personnel and the operation of facilities in accordance with the *Management Measures for Property Quality Inspection and Evaluation* to make sure that work performed is in line with requirements specified by our policies and systems.

In daily work, we take various measures to provide our customers with a healthy and safe environment. We have introduced the new air filtration system in buildings to purify indoor PM2.5 and thus provide fresh air for our customers. In addition, clean water is provided through our efforts in maintaining the cleanness of water tanks and related equipment and facilities in conformity with applicable laws and regulations. At the same time, based on our *Safety Management Manual*, we conduct inspections on suspicious persons, violation of fire control rules and fire control facilities in the building, including safety inspection of re-decoration site, inspection of gas leak alarm devices in catering shops and fire control safety inspection before holidays, to prevent any fire accident from happening.

In view of special circumstances that may occur in our daily work, we have formulated the *Response and Control Procedures for Risks and Opportunities* to exercise control through prevention, mitigation and sharing. On the basis of the *Emergency Preparation and Response Control Procedures*, we have developed the *Emergency Plan Directory* for handling various special cases, including 12 measures and plans such as the *Measures for Handling Emergencies*, the *Measures for Handling Elevator Trap Emergencies*, the *Fire Emergency Alarm, Fire Fighting and Evacuation Plan*, the *Public Health Emergency Response Plan*, and the *Measures for Handling Power Failure Emergencies*. In 2017, there was no accident or fire accident related to our property projects.

Complaints about Products and Services

Through launching a nationwide customer service center by our property division, we are able to keep close contact with our clients at any time. The customer service center integrates customer complaints and suggestions into daily reports, which are submitted to related departments for solutions and are further reported to the management on that day.

Item	2017
Customer Complaints (times)	201
Customer Satisfaction (points)[1]	89.34

Note:

1. *Customer satisfaction has been changed from percentage measurement to 100 points measurement since 2016.*

Advertising and Labelling

We adhere to applicable state, local industry's laws, regulations, judicial interpretations and self-discipline rules in advertising and labelling, such as the *Advertising Law of the People's Republic of China*, the *Interim Measures for the Administration of Internet Advertising*, the *Enforcement Rules for Regulations on Control of Advertisement*, and the *Trademark Law of the People's Republic of China*. Based on characteristics of real estate industry, we also firmly follow and implement the *Notice on Further Regulating the Operation of Real Estate Development Enterprises to Maintain the Order in Real Estate Market* and the *Standards on Extension of the Advertising Law Newly Enacted in 2015* issued by the Ministry of Housing and Urban-Rural Development of the PRC. We established and follow internal application regulations and implementation requirements for labelling. Moreover, the head office also demands each subsidiary and branch with the Group to strictly observe requirements specified by the *Advertisement Law of the People's Republic of China* and special notices on marketing issued by the Ministry of Housing and Urban-Rural Development of the PRC.

SOHO China has the exclusive right to use of its registered trademarks. Registration is made both in the PRC and other jurisdictions to prevent illegal use of these trademarks. According to the needs of business development, we actively apply for more trademarks with exclusive right of use, and employ intellectual property service suppliers for consulting trademark-related issues such as registration, renewal and other legal matters. Trademark infringement is learned through report by others or detection by ourselves. At the same time, we take the initiative to make investigation, with assistance from external suppliers providing trademark and property services.

The *Cyber Security Law of the People's Republic of China* came into effect in June 2017. As China's first basic law for comprehensive regulation on the security and order of network, it pays great attention to ensure the security of personal information. The *Interpretation on Several Issues regarding the Application of Law in the Handling of Criminal Cases involving Infringement of Citizen's Personal Information* issued by the Supreme People's Court and the Supreme People's Procuratorate was promulgated in May 2017, which defined the scope of "personal information" and specified pleading standards and sentencing guidelines applicable to illegal collection of personal information. The issuance and enforcement of these two regulations embody the increasing emphasis on the protection of personal information. In order to actively respond to the call of our country, SOHO China has published the *Processing System for Fake SOHO China Websites and Procedures for Handling Fake SOHO China Websites* on knowledge management platform for the staff to learn.

6. ANTI-CORRUPTION

We are committed to complying with applicable laws and regulations to reinforce management system on anti-corruption, anti-bribery and internal control compliance. Besides, we advocate the corporate culture of "Honesty, Solidarity, Innovation", and specify management requirements on anti-corruption. As a result, the awareness of duty fulfilment has been enhanced in business process and corresponding risk control measures have been improved.

Ethics Codes Cultivation

Actions originate from the thought. Thus, professional ethics cultivation is the basis for all other systems. In this regard, SOHO China carried out the following three major activities in 2017. Firstly, we clearly stipulated in Employee Handbook regarding requirements and guidelines on the prevention of bribery, extortion and fraud, the related ethical policies, as well as guidance on conducting business and performing duties to ensure the ethic codes requirements are delivered to employees. At the same time, Employee Handbook and internal policies are reviewed regularly to integrate updates on laws and regulations to ensure our compliance. Secondly, professional ethic trainings are delivered for new staff monthly. In 2017, we carried out two professional ethic trainings for the entire staff, aiming to enhance their awareness of SOHO China's corporate culture of "Honesty, Solidarity, Innovation" and to make them profoundly understand corruption risks and thus to resist corruption. Besides, incorruptibility education is arranged annually and job-related knowledge tests covering the content of our Code of Conduct are regularly carried out for business-engaged personnel. Test results will be an important reference for performance appraisal, career advancement, etc. Thirdly, we conducted special audits for specific business to prevent any bribery, extortion and fraud.

Compliant and Follow-up Measures

SOHO China has unimpeded and efficient grievance mechanism in place. For example, telephone numbers and e-mail addresses for reporting are made available on our portal website for employees and third parties to report misconducts or questionable business (including commercial bribery, embezzlement, fraud, conflicts of interest, falsification of financial data, and misuse of assets) of employees or suppliers to internal audit department through e-mails, phone calls or letters.

The well-established communication channels and timely follow-up measures have bridged the gap between SOHO China and customers and suppliers, which not only improve customer satisfaction, but also further strengthen the management standard. In 2017, we received no more than 10 complaints falling into two categories. One is the question on bidding results, and the other is the feedback on customer service. Through our investigation, we found that these complaints had nothing to do with corruption, and have been solved through smooth and effective communication.

SOHO China had no case involving any violation of the principal incorruptibility code of conduct in 2017. With the development of our business, we will further improve the anti-corruption system and strengthen the efforts on supervision, to provide strong support for our sustainable development.

7. COMMUNITY INVESTMENT

SOHO China Foundation

Founded in 2005, SOHO China Foundation (registered name: Beijing SOHO China City Culture Foundation) is a charitable organization funded and operated by SOHO China. The Foundation aims to push ahead spiritual progress and growth together with social and material development. In terms of cultivating future talents, students at all ages have been benefited from our public welfare programs of education. In 2017, we donated training and racing bicycles to Jaquan Middle School to help young students explore their potential.

SOHO China Scholarship

SOHO China Scholarship project pledges to endow USD100 million for Chinese students with financial aids to obtain undergraduate education at the world's top universities. Our mission is to provide the best education in the world for China's most outstanding students with financial support. SOHO China Scholarship focuses on supporting impoverished undergraduate students, as we believe that is hard to access financial aid during undergraduate study and it is the most important time for a student.

In 2014, SOHO China Scholarship signed an endowment agreement with Harvard University and Yale University to provide their Chinese students with financial aids. The first 8 SOHO China Scholars from Harvard University were awarded with scholarships in the autumn of 2014. In 2015, another 16 students from Harvard University and Yale University were sponsored by SOHO China Scholarship. In 2016, there were 31 students from Harvard University and Yale University financially aided by SOHO China Scholarship Program. In 2017, 42 Chinese undergraduate students from Harvard University and Yale University received financial aids from SOHO China Scholarship. At the same time, SOHO China Scholarship is actively seeking partnership with leading international universities to expand this initiative.

Children's Virtues Project

The Children's Virtues Project is designed to awaken a sense of personal and communal responsibility among children and spark their drive for excellence. Children from kindergartens to grade three of elementary schools are engaged in character-building exercises which highlight different virtues, such as courtesy, responsibility, truthfulness, and helpfulness. The Children's Virtues Project is specially developed to target early education and focuses on how children of different ages process and learn with a curriculum comprised of songs, games and interactive activities to learn cultivate virtues.

To support teachers who have been trained to deliver better curriculum on virtues, the Children's Virtues Project sends specially-assigned staff three to four times each year to observe their classes and engage with both teachers and students to continually strengthen virtues training and to localize virtues teaching.

Continuous Donation for Special Olympics

In order to encourage people with disabilities, we do our bit in providing them with equal opportunity to participate in various social activities, so that they can have a chance to make their contribution to the society and earn recognition and respect accordingly. In 2017, SOHO China made donation of RMB1.3 million to Special Olympics, in an attempt to enhance their self-esteem and self-confidence, improve their physical, mental and spiritual health, and increase their participation in the society.

Poverty Alleviation Activities in Panjizhai

SOHO China cares about students in poverty-stricken areas. In 2016, we donated 80 computers and 15,000 books which are worth approximately RMB1 million to Panjizhai School. In 2017, we made persistent efforts to donate school bags and stationery for newly-enrolled students and school uniforms for all students in Panjizhai School. In addition, cabinets and washing machines were newly equipped in the school dormitory, while the outer wall of school was painted and school gate was built. Moreover, 21 teachers from Panjizhai School were invited for trainings at Beijing Institute of Education to improve their teaching skills.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Turnover and rental income

Turnover in 2017 was approximately RMB1,963 million, representing an increase of approximately RMB386 million or 24% as compared with approximately RMB1,577 million in 2016. Rental income in 2017 was approximately RMB1,669 million, representing an increase of approximately RMB158 million or 11% as compared with approximately RMB1,511 million in 2016, which was mainly attributable to the commencement of the leasing of SOHO Tianshan Plaza in 2017, and significant rental income improvement from Guanghualu SOHO II, Galaxy SOHO, Bund SOHO, SOHO Fuxing Plaza and Sky SOHO in 2017 as compared with 2016. The turnover in 2016 included rental income from SOHO Century Plaza of about RMB95 million. SOHO Century Plaza was sold in 2016 and made no contribution to the Group's turnover in 2017.

Profitability

Gross profit for 2017 was approximately RMB1,453 million, representing an increase of approximately 17% as compared with approximately RMB1,242 million in 2016. The increase was mainly due to the growth in rental income. Gross profit margin of property leasing for 2017 was approximately 80.5% as compared with approximately 79.7% in 2016.

Profit before taxation for 2017 was approximately RMB8,326 million, representing an increase of approximately 316% as compared with approximately RMB1,999 million in 2016, mainly due to higher valuation gains on the investment properties booked during the Year.

Net profit attributable to the equity shareholders of the Company for 2017 was approximately RMB4,733 million, representing an increase of approximately 420% as compared with 2016.

Cost control

Selling expenses for 2017 were approximately RMB72 million, representing an increase of approximately 16% as compared with approximately RMB62 million in 2016, due to increasing sales of properties during the Year.

Administrative expenses for 2017 were approximately RMB299 million, representing an increase of approximately 13% as compared with approximately RMB265 million in 2016. The increase was mainly driven by the increase in operational and administration expenses in relation to SOHO 3Q's development during the Year.

Finance income and expenses

Finance income for 2017 was approximately RMB95 million, as compared with approximately RMB121 million in 2016. The decrease was mainly due to the lower average cash position during the Year.

Finance expenses for 2017 were approximately RMB584 million, as compared with approximately RMB821 million in 2016. The higher finance expenses in 2016 were mainly driven by extraordinary expenses in relation to prepayment of offshore debts.

Valuation gains on investment properties

Valuation gains on investment properties for 2017 were approximately RMB7,126 million, representing an increase of approximately RMB5,856 million as compared with RMB1,270 million in 2016.

Income tax

Income tax of the Group for 2017 comprised the PRC Corporate Income Tax, the Land Appreciation Tax and the Deferred Tax. PRC Corporate Income Tax for 2017 was approximately -RMB111 million, resulting from the PRC enterprise income tax refundment of RMB1,025 million from tax bureau after the final settlement and payment of the Land Appreciation Tax of Galaxy & Chaoyangmen SOHO. Land Appreciation Tax for 2017 was approximately RMB781 million. Deferred Tax for 2017 was approximately RMB2,864 million, representing an increase of approximately RMB2,659 million as compared with approximately RMB205 million in 2016 due to higher valuation gains on the investment properties booked during the Year and the effect of above tax refundment.

Corporate bonds, bank borrowings and collaterals

As disclosed in the Company's announcements on 13 November 2015, 6 January 2016 and 22 January 2016, Beijing Wangjing SOHO Real Estate Co., Ltd.* (北京望京搜候房地產有限公司) ("Beijing Wangjing"), a wholly-owned subsidiary of the Company, announced to issue the domestic corporate bonds in the PRC with the aggregate principal amount of RMB3 billion at the coupon rate of 3.45% for a term of three years. As at 31 December 2017, the amount of the corporate bonds was approximately RMB2,994 million.

* *For identification purpose only*

As at 31 December 2017, the bank borrowings of the Group were approximately RMB18,040 million (excluding the bank loan of Sky SOHO of RMB1,980 million, which was re-classified into liabilities of disposal group classified as held for sale). Among the bank borrowings, approximately RMB3,141 million are due within one year, approximately RMB943 million are due after one year but within two years, approximately RMB2,931 million are due after two years but within five years and approximately RMB11,025 million are due after five years. As at 31 December 2017, bank borrowings of approximately RMB18,040 million of the Group were collateralized by the Group's land use rights, properties and restricted bank deposits, or guaranteed by certain subsidiaries of the Company.

As at 31 December 2017, the Group had corporate bonds and bank borrowings of approximately RMB21,034 million, equivalent to approximately 30% of the total assets (31 December 2016: approximately 23%), net debt (bank borrowings + corporate bonds – cash and cash equivalents and bank deposits) to equity attributable to owners of the Company ratio was approximately 51% (31 December 2016: approximately 32%).

Risks of foreign exchange fluctuations and interest rates

As at 31 December 2017, offshore borrowings were approximately RMB3,467 million, including a short term loan of approximately RMB2,611 million. The short term offshore loan is expected to be repaid after the disposal of Sky SOHO is completed. The Company's funding cost remained low at approximately 4.1% as at 31 December 2017. During the Year, the Group's operating cash flow and liquidity had not been subject to significant influence from fluctuations in exchange rates.

Contingent liabilities

As at 31 December 2017, the Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans provided to buyers of property units. The amount of the guaranteed mortgage loans relating to such agreements was approximately RMB1,427 million as at 31 December 2017 (approximately RMB2,286 million as at 31 December 2016).

As at 31 December 2017, the Group provided guarantees to Beijing Wangjing, a subsidiary of the Company, with respect to its corporate bonds with the principal amount of RMB3 billion (as at 31 December 2016: RMB3 billion).

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in its ordinary course of business. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, based on the information currently available and to the best knowledge, information and belief of the Board, any resulting liabilities will not have a material adverse effect on the financial position, liquidity or operating results of the Group.

Capital commitment

As at 31 December 2017, the Group's total capital commitment for properties under development was approximately RMB2,661 million (approximately RMB3,775 million as at 31 December 2016). The amount mainly comprised the contracted and the authorised but not contracted development cost of the existing projects.

Employees and remuneration policy

As at 31 December 2017, the Group had 1,985 employees, including 219 employees for the Commune by the Great Wall and 1,487 employees for the property management company.

The remuneration package of the Group's employees includes basic salary and bonuses. Bonuses are determined on a monthly basis based on performance reviews. In particular, bonuses of each asset management team and SOHO 3Q team are determined on the profitability of each individual project.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Group include investment in real estate development, property leasing and property management. More information of the principal activities of the Group during the Year is set out in the section headed "Business Review" of this report. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the financial status of the Company and the Group as at 31 December 2017 are set out in the audited consolidated financial statements.

On 22 August 2017, the Board recommended the declaration and payment of a special dividend of RMB0.346 per Share to the Shareholders of the Company which had been approved by Shareholders at the extraordinary general meeting of the Company held on 27 September 2017. On 15 November 2017, the Board approved the declaration and payment of a special interim dividend of RMB0.576 per Share. Both special dividends had been paid to the Shareholders.

The Board did not recommend the declaration of final dividend for the year ended 31 December 2017.

FINANCIAL INFORMATION SUMMARY

A summary of the published financial results of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

Consolidated income statement for the years ended 31 December:

	2017	2016	2015	2014	2013
Unit: RMB'000					
Turnover	**1,962,610**	1,577,215	995,165	6,098,088	14,621,436
Profit before taxation	**8,325,644**	1,999,350	1,407,468	6,689,396	12,470,385
Income tax	**(3,534,103)**	(1,090,610)	(843,996)	(2,537,935)	(5,034,304)
Profit for the year	**4,791,541**	908,740	563,472	4,151,461	7,436,081
Attributable to:					
Equity shareholders of the Company	**4,733,481**	910,232	537,632	4,079,831	7,388,049
Non-controlling interests	**58,060**	(1,492)	25,840	71,630	48,032
Basic earnings per share (RMB)	**0.912**	0.175	0.104	0.781	1.492
Diluted earnings per share (RMB)	**0.912**	0.175	0.104	0.780	1.404
Interim dividend per share (RMB)	**–**	–	–	0.12	0.12
Final dividend per share (RMB)	**–**	–	–	0.13	0.13
Special dividend per share (RMB) *(Note)*	**0.922**	0.536	0.696	–	–

Note: Include special dividends declared on 22 August 2017 and 15 November 2017, with the amount of RMB0.346 per Share and RMB0.576 per Share respectively.

Consolidated balance sheet as at 31 December:

	2017	2016	2015	2014	2013
Unit: RMB'000					
Non-current assets	**59,015,582**	58,263,115	57,714,069	59,088,013	55,810,572
Current assets	**12,201,960**	9,142,730	14,118,003	17,731,159	22,012,453
Current liabilities	**12,011,751**	12,813,107	12,007,112	11,516,800	19,251,402
Net current assets/(liabilities)	**190,209**	(3,670,377)	2,110,891	6,214,359	2,761,051
Total assets less current liabilities	**59,205,791**	54,592,738	59,824,960	65,302,372	58,571,623
Non-current liabilities	**25,478,494**	18,945,061	22,102,432	24,842,404	20,085,828
Net assets	**33,727,297**	35,647,677	37,722,528	40,459,968	38,485,795
Share capital	**106,112**	106,112	106,112	106,112	107,868
Reserves	**32,598,240**	34,432,900	36,493,759	39,257,039	37,352,740
Total equity attributable to equity shareholders of the Company	**32,704,352**	34,539,012	36,599,871	39,363,151	37,460,608
Non-controlling interests	**1,022,945**	1,108,665	1,122,657	1,096,817	1,025,187
Total equity	**33,727,297**	35,647,677	37,722,528	40,459,968	38,485,795

SHARE CAPITAL AND SHARE OPTIONS

Details of changes in the Company's share capital and share options during the Year and details of the pre-IPO share option scheme approved by the Shareholders of the Company on 14 September 2007 (the "Pre-IPO Share Option Scheme") and the post-IPO share option scheme approved by the Shareholders of the Company on 14 September 2007 (the "Share Option Scheme") are set out in Notes 27 and 28 to the audited consolidated financial statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the Year are set out in the consolidated statements of changes in equity.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and there are no restrictions against such rights under the laws of the Cayman Islands.

PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Group during the Year are set out in Note 13 to the audited consolidated financial statements.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

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

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

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

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

Failing that, among other things, all or part of the Total Commitments of 2014 Bilateral Loan may be cancelled and/or all outstanding liabilities of the Company under the 2014 Credit Agreement and/or other documentation in relation to the 2014 Bilateral Loan will become immediately due and payable.

On 3 November 2017, the Company, as borrower, and certain subsidiaries of the Company, as guarantors, entered into a credit agreement (the "2017 Credit Agreement") with a syndicate of banks for the US$400 million equivalent (the "Total Commitment of 2017 Syndicated Loan") 1-year term loan facility (the "2017 Syndicated Loan").

Pursuant to the 2017 Credit Agreement, the Company must, among others, ensure that:

1. Mr. Pan or Ms. Zhang remains as the chairman of the Company at all times;

2. Mr. Pan or Ms. Zhang remains as the chief executive officer of the Company at all times; and

3. Mr. Pan and Ms. Zhang, directly or indirectly through trust arrangement, nominee shareholder or otherwise, must, in aggregate, remain the beneficial owners of not less than 51% of the entire issued share capital of the Company.

If any of the above covenants is breached, the facility agent may, and shall if so instructed by the majority lenders, by notice to the Company, (a) cancel all or part of the Total Commitment of 2017 Syndicated Loan; (b) declare that all or part of the amounts outstanding under the 2017 Credit Agreement and/or other documentation in relation to the 2017 Syndicated Loan are (i) immediately due and payable, and/or (ii) payable on demand by the facility agent acting on the instructions of the majority lenders; and/or (c) exercise or direct the security agent to exercise any or all of its rights, powers, authorities, discretions or remedies under the 2017 Credit Agreement and other documentation in relation to the 2017 Syndicated Loan.

As at 31 December 2017, the Trust is the beneficial owner of approximately 63.9309% of the entire issued share capital of the Company.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report are:

Executive Directors

Mr. Pan Shiyi *(Chairman)*
Mrs. Pan Zhang Xin Marita (*Chief Executive Officer)*
Ms. Yan Yan *(President)* (resigned on 8 March 2018)
Ms. Tong Ching Mau

Independent non-executive Directors ("INEDs")

Mr. Sun Qiang Chang
Mr. Cha Mou Zing, Victor
Mr. Xiong Ming Hua

Each of Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita has entered into a service contract with the Company for a term of three years commencing from 1 January 2017, which may be terminated by either party by serving not less than one month's prior written notice. Each of Ms. Yan Yan and Ms. Tong Ching Mau has entered into a service contract with the Company commencing from 7 November 2015 and 18 May 2016 respectively, which may be terminated by either party thereto giving to the other party not less than one month's prior written notice. Ms. Yan Yan resigned as an executive Director on 8 March 2018.

Save as disclosed above, no Director standing for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any such subsidiary within one year without payment of compensation other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Executive Directors

Mr. Pan Shiyi

Chairman of the Board

Mr. Pan Shiyi, aged 55, is an executive Director and Chairman of the Board. Mr. Pan co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995. Since then he has led, together with his wife, Mrs. Pan Zhang Xin Marita, the development of all of the Company's projects, and developed the Company into the largest Grade A office developer in Beijing and Shanghai. In 2015, Mr. Pan introduced SOHO 3Q, a flexible and convenient new product, leading the trend of sharing of offices in the mobile internet era.

In 2014, SOHO China Foundation launched the SOHO China Scholarships Program, a USD100 million initiative supporting financial aid for Chinese students at leading international universities.

Mr. Pan was elected as "Real Estate Person of the Year" by sina.com in 2009 and 2010, Ernst & Young Entrepreneur of the Year China 2008, one of the "Top Ten Influential Figures in Real Estate Industry" by sina.com in 2004 and 2006, and one of the "25 most influential business leaders" in China by Fortune (China) Magazine in 2005. In 2011, Mr. Pan was selected again as "Real Estate Person of the Year" by sina.com and in 2012, and he was selected as "China Real Estate Leader of the Year on Weibo" by sina.com. In June 2013, Mr. Pan was awarded the "Jury's special" of the 5th SEE-TNC Ecology Award. In December 2013, Mr. Pan was selected as "The Most Social Responsible Person in Real Estate" by Tencent.com. In 2014, Mr. Pan was selected as one of the "Philanthropic Faces of the Year" by People magazine. In 2015, Mr. Pan was invited by Mr. Bill Gates to join the Breakthrough Energy Ventures fund. In 2016, Mr. Pan was listed on the "CBN Innovation 50" by CBN Weekly.

Mrs. Pan Zhang Xin Marita

Chief Executive Officer

Mrs. Pan Zhang Xin Marita, aged 52, is an executive Director and the Chief Executive Officer of the Company. Ms. Zhang co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995 and has since led, together with her husband Mr. Pan Shiyi, the development of all of the Company's projects.

Ms. Zhang was selected by the Davos World Economic Forum as a Young Global Leader in 2005, and her efforts to promote the development of architecture in Asia, earned her the Special Prize to an Individual Patron of Architectural Award at la Biennale di Venezia in 2002. Ms. Zhang has been listed repeatedly among the world's most powerful women in business by publications including the Forbes Magazine, Fortune and the Financial Times Newspaper. Recognized as a key opinion leader in business, design and architecture, Ms. Zhang sits on the Council on Foreign Relations Global Board of Advisors and the Harvard University Global Advisory Council.

In 2005, Ms. Zhang and her husband Mr. Pan Shiyi established the SOHO China Foundation, a charity organization guided by the mission of advancing education as a means to alleviate poverty. In 2014, the SOHO China Foundation launched the SOHO China Scholarships, a USD100 million initiative supporting underprivileged Chinese students who wish to pursue education at leading international universities.

Ms. Yan Yan

President

Ms. Yan Yan, aged 54, is an executive Director and the Company's President. She is responsible for the business development and overall management of the Company. Ms. Yan joined the Company in December 1996 and had acted as the Company's Chief Operating Officer and Chief Financial Officer prior to her present position. Ms. Yan received a Bachelor of Civil Engineering degree from Tianjin University in 1986. She has over twenty years of relevant experience in the real estate development industry in China. Ms. Yan resigned as an executive Director and ceased to be the Company's President with effect from 8 March 2018 in order to pursue her personal commitments.

Ms. Tong Ching Mau

Chief Financial Officer

Ms. Tong Ching Mau, aged 48, is an executive Director and the Chief Financial Officer of the Company. Ms. Tong is responsible for financial management, investor relations and corporate finance of the Company. Ms. Tong has served the Company for more than ten years in total. Prior to joining the Company in 2002, Ms. Tong worked in the investment banking division of Credit Suisse First Boston in New York. Ms. Tong left the Company in 2014 and prior to rejoining the Company in 2016, Ms. Tong was the vice general manager of Red Star Macalline Group Corporation Ltd. Ms. Tong received a Master of Business Administration degree from Yale University, and a Master and a Bachelor degree of Economics from Fudan University in Shanghai.

Independent non-executive Directors

Mr. Sun Qiang Chang

Mr. Sun Qiang Chang, aged 61, is an independent non-executive Director. He is the Managing Partner for China at TPG, a global alternative investment firm. Prior to joining TPG, he founded and was the Chairman of Black Soil Group Ltd., an agriculture impact investing company. Before founding Black Soil, he was the Chairman, Asia Pacific at Warburg Pincus, a global private equity firm, where he had served for 20 years.

Mr. Sun obtained his Bachelor of Arts degree from the Beijing Foreign Studies University and completed a post-graduate program offered by the United Nations, where he worked as a staff translator in New York for 3 years. Mr. Sun earned a joint degree of MA/MBA from the Joseph Lauder Institute of International Management and the Wharton School of the University of Pennsylvania.

Mr. Sun is the founder and current Chairman of the China Venture Capital Association and the founder and Executive Vice Chairman the China Real Estate Developers and Investors' Association. He is also a member of the Asia Executive Board of the Wharton School and a member of the Asia Pacific Council of the Nature Conservancy.

Mr. Cha Mou Zing, Victor

Mr. Cha Mou Zing, Victor, aged 68, is an independent non-executive Director. He is the Deputy Chairman and Managing Director of HKR International Limited (Hong Kong Stock Code: 00480) and an alternate Independent Non-Executive Director of New World Development Company Limited (Hong Kong Stock Code: 0017).

Mr. Cha is the Chairman of both the Hong Kong Arts Festival and the Hong Kong – Japan Business Co-operation Committee of Hong Kong Trade Development Council. He is a member of the Board of Trustee of the Cha Foundation, an Executive Committee Member of Qiu Shi Science and Technologies Foundation and a trustee of the Sang Ma Trust Fund.

In 2010, The Hong Kong Polytechnic University recognised his contributions to the university with the award of a fellowship. Mr. Cha graduated from Stanford University with an MBA degree and is a Sloan Fellow of the University. He also holds a Bachelor of Arts degree from the University of Wisconsin.

Mr. Xiong Ming Hua

Mr. Xiong Ming Hua, aged 53, is an independent non-executive Director. Mr. Xiong is the founder and chairman of Seven Seas Partners, a venture capital firm focusing on investing cross border technology companies in the United States and China. Mr. Xiong was the former Chief Technology Officer for Tencent Holdings Limited (a company listed on the Stock Exchange, Hong Kong Stock Code: 700) from 2005 to 2013, where he was responsible for product strategy planning of the overall platform, new product innovation, research and development of core technologies, and management for engineering excellence. Previously he worked at Microsoft Corporation for 9 years as program manager in Internet Explorer, Windows and MSN product groups, and as founding director of MSN China Development Center. Prior to that, Mr. Xiong worked as staff programmer of Internet Division of IBM Corporation in New York. Mr. Xiong received his Bachelor of Engineering Degree in Information System Engineering from National University of Defense Technology in 1987 and a Master of Science Degree in Information Retrieval from Chinese Defense Science and Technology Information Center in Beijing in 1990.

Senior Management

Mr. Xu Qiang

Vice President

Mr. Xu Qiang, aged 45, is our Vice President in charge of property construction and development. He joined the Company in July 1999. Mr. Xu has acted as the project manager, project director and Vice President of our Company. During his 18 years of service with our Company, he has been in charge of project management of SOHO New Town, Jianwai SOHO, Guanghualu SOHO, Sanlitun SOHO and Wangjing SOHO, Sky SOHO and Bund SOHO, etc. Mr. Xu obtained his Bachelor's Degree in Heating Ventilation and Air Conditioning Engineering from Beijing Institute of Civil Engineering and Architecture in 1994.

Ms. Ni Kuiyang

Vice President

Ms. Ni Kuiyang, aged 41, is our Vice President and is responsible for accounting and cash management of the Company. Ms. Ni joined the Company in July 2008 and since then has acted as our finance manager, finance director and Vice President. Ms. Ni Kuiyang received her Bachelor Degree in Accounting from China University of Petroleum in 1999 and is a CPA holder. Prior to joining the Company, Ms. Ni worked for a listed company and an asset management company. Ms. Ni has extensive experience in accounting and financial management.

Mr. Qian Ting

Vice President

Mr. Qian Ting, aged 41, is our Vice President and is responsible for property leasing of the Company. Mr. Qian joined the Company in October 2002 and has acted as the director of our leasing department. Mr. Qian received his Bachelor's Degree in Trade and Economy from Renmin University of China in 2000. Mr. Qian has 18 years' experience in property leasing in China.

Ms. Xu Jin

Vice President

Ms. Xu Jin, aged 46, is our Vice President and is responsible for assets and property management of the Company. Ms. Xu joined the Company in February 2001 and since then has acted as director of human resources department, director of procurement department and Vice President. Ms. Xu received a Bachelor of Engineering Management degree from Beijing Wuzi University in 1994. She has over twenty years of relevant experience in the real estate development industry in China.

Company Secretary

Ms. Mok Ming Wai

Ms. Mok Ming Wai is the company secretary of the Company (the "Company Secretary"). Ms. Mok was appointed as the Company Secretary of the Company on 20 December 2013. Ms. Mok is a director of TMF Hong Kong Limited (a company secretarial services provider). She has over 20 years of professional and in-house experience in the company secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the company secretary and joint company secretary of several listed companies.

DIRECTORS' REMUNERATION

The Directors' remunerations are determined by the Board, as authorized by the Company's annual general meeting held on 26 May 2017 (the "2017 AGM"), with reference to the Directors' duties, responsibilities and performance as well as the financial results of the Group.

Remuneration details of each Director for the year ended 31 December 2017 are set out as follows:

2017	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(Note)* RMB'000	Total RMB'000
Executive Directors						
Pan Shiyi (Chairman)	240	2,132	158	2,530	–	2,530
Pan Zhang Xin Marita	240	1,800	169	2,209	–	2,209
Yan Yan	240	4,180	189	4,609	–	4,609
Tong Ching Mau	240	3,419	71	3,730	–	3,730
Independent non-executive Directors						
Cha Mou Zing, Victor	291	–	–	291	–	291
Xiong Ming Hua	291	–	–	291	–	291
Sun Qiang Chang	291	–	–	291	–	291
Total	1,833	11,531	587	13,951	–	13,951

Note: Where applicable, these represent the fair value of the awarded shares and share options granted to the Directors under the Employees' Share Award Scheme and the Share Option Scheme. The value of these awarded shares and share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 1(o)(ii) of the audited consolidated financial statements. Details of these benefits in kind, including the principal terms and number of awarded shares and share options granted, are disclosed in Note 28 of the audited consolidated financial statements.

During the Year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived or agreed to waive any remuneration during the Year.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration is determined with reference to the senior management's duties, responsibilities and performance, as well as the financial results of the Group.

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management by band for the year ended 31 December 2017 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0 – 1,000,000	0
1,000,001 – 2,000,000	2
2,000,001 – 3,000,000	2

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive 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 Listing Rules, to be notified to the Company and the Stock Exchange, are 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%
Yan Yan	18,650,668 (L) *(Note 4)*	–	–	18,650,668 (L)	0.3587%
Tong Ching Mau	173,637 (L)	–	–	173,637 (L)	0.0033%

Notes:

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

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

(3) Each of Boyce Limited and Capevale Limited ("Capevale BVI"), both of which were incorporated in the British Virgin Islands, was interested in 1,662,050,000 Shares. Boyce Limited and Capevale BVI are the wholly-owned subsidiaries of Capevale Limited (Cayman Islands) ("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 shares in 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.

(4) These interests include (i) options to subscribe for 8,184,000 Shares granted on 6 November 2012 under the Share Option Scheme but not yet exercised as at 31 December 2017, and (ii) 10,466,668 Shares beneficially owned by Ms. Yan.

(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.	Interest 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%
Yan Yan	Beijing Redstone Jianwai Real Estate Development Co., Ltd.	Interest of controlled corporation	225,000 *(Note)*	0.75%

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

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2017, none of the Directors or chief executive nor their associates 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 are 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.

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

As at 31 December 2017, 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, 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 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 shares in the issued share capital of Capevale Cayman, a company incorporated in the Cayman Islands. Capevale Cayman wholly owns Boyce Limited and Capevale BVI, each of which was interested in 1,662,050,000 Shares. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to be interested in the 3,324,100,000 Shares held by Boyce Limited and Capevale BVI via its interest in Capevale Cayman under the Trust for the benefit of the beneficiaries, 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 31 December 2017, there was no other person who had interest or short position in the shares or underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded into the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this report, no transactions, arrangements or contracts of significance, in relation to the Group's business to which the Company or any of its subsidiaries was a party in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Company's prospectus dated 21 September 2007 (the "Prospectus"), as at 31 December 2017, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

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

PERMITTED INDEMNITY PROVISION

The Company's articles of association provides that every Director and other officers shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective office or trust or otherwise in relation thereto provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

EMPLOYEES' SHARE AWARD SCHEME

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

During the Year, the trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 2,339,500 Shares at a total consideration of approximately HKD10,133,444 and sold on the Stock Exchange a total of 1,500 shares at a total consideration of approximately HKD6,071 pursuant to the terms of the trust deed under the Employees' Share Award Scheme.

SHARE OPTION SCHEME

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

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

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

Total number of Shares available for issue under the Share Option Scheme is 8,184,000 Shares, representing approximately 0.16% of the issued Shares as at the date of this annual report.

Details of the Options granted under the Share Option Scheme and those remained outstanding as at 31 December 2017 are as follows:

		Number of Options					
Name and class of grantees	Date of grant	Outstanding as at 1 January 2017	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 31 December 2017
Director							
Yan Yan	6 November 2012 *(Note 1)*	8,184,000	–	–	–	–	8,184,000
Total		**8,184,000**	**–**	**–**	**–**	**–**	**8,184,000**

Note:

(1) Details of Options:

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

* *The Options granted on 6 November 2012 are exercisable from the commencement of the exercise period until the expiry of the Options which is on 5 November 2022. One-tenth of such Options are exercisable during the first six years from the date of grant on an annual basis, and the remaining two-fifths of the Options are exercisable after the expiry of the seventh year from the date of grant.*

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and Employees' Share Award Scheme of the Company as set out in this Directors' Report, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2017, the percentage of revenue from sales of goods or rendering of services of the Group to the Group's five largest customers amounted to less than 5%.

For the year ended 31 December 2017, the percentage of purchases by the Group for the Year attributable to the Group's five largest suppliers amounted to approximately 11%, and the Group's largest supplier accounted for approximately 5%.

So far as the Board is aware, neither the Directors, their close associates nor any Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers during the Year.

BUSINESS REVIEW

A review of the business of the Group during the Year, a discussion on the Group's future business development and a discussion on the Group's environmental policies are provided in the Chairman's Statement on pages 2 to 4 and the ESG report on pages 18 to 40 of this annual report. Description of possible risks and uncertainties that the Group may be facing can also be found in the Chairman's Statement. Also, the financial risk management policies of the Group can be found in Note 2 to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Group Financial Summary on pages 48 to 49 of this annual report. In addition, relationships with its key stakeholders are provided in this Directors' Report on page 46 and pages 62 to 64 of this annual report. And compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 67 to 82 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had been in compliance with the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules during the Year.

MATERIAL LEGAL PROCEEDINGS

To the knowledge of the Directors, there was no material legal proceedings during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company had not repurchased any Shares on the Stock Exchange. The trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 2,339,500 Shares at a total consideration of approximately HKD10,133,444 and sold on the Stock Exchange a total of 1,500 Shares at a total consideration of approximately HK$6,071 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Period.

DEBENTURE ISSUED

In January 2016, Beijing Wangjing, a wholly-owned subsidiary of the Company, issued domestic corporate bond with principal amount of RMB3,000 million at the coupon rate of 3.45% for a term of 3 years.

AUDITOR

The consolidated financial statements of the Group for the Year have been audited by PricewaterhouseCoopers ("PwC"). A resolution for the re-appointment of PwC as auditors of the Company for the next financial year will be proposed at the forthcoming AGM.

On behalf of the Board

Pan Shiyi
Chairman
Hong Kong
20 March 2018

CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transaction (the "Transaction") with connected person of the Company within the meaning of the Listing Rules. Details of the Transaction have been described in the Prospectus under the heading "Relationship with Our Controlling Shareholders and Founders". The status of the Transaction of the Group as at 31 December 2017 and for the year then ended is set out below:

Continuing connected transaction for which waiver had been sought from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules:

As disclosed in the Prospectus, pursuant to an agreement dated 24 July 2007, the outstanding amounts from the Property purchase contracts between Beijing Hongyun Co., Ltd. ("Hongyun") and Beijing ZhongHongTian Real Estate Co., Ltd. ("ZhongHongTian") were in aggregate RMB3,916,128 as at 24 July 2007, 50% of which should be repayable on 30 June 2008 and the remaining 50% should be repayable on 31 December 2008. The outstanding amount bore an interest at the People's Bank of China's ("PBOC") lending rate till the repayment dates, i.e. 30 June 2008 and 31 December 2008, respectively. As at 31 December 2017, the balance of RMB3,916,128 remained outstanding and interests receivable of RMB498,210 thereon was recorded. Hongyun is a 17% shareholder of ZhongHongTian, the non-wholly owned subsidiary of the Company and accordingly, is a connected person of the Group.

The executive Directors and independent non-executive Directors have reviewed the Transaction during the Year and confirmed that the Transaction has been entered into:

1. in the ordinary and usual course of business of the Company and its subsidiaries;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, the Company has engaged its auditor to perform procedures and report their findings regarding the Transaction entered into by the Group set out above for the year ended 31 December 2017. The auditor has issued a letter containing their findings and conclusions in respect of the Transaction set out above and a copy has been provided to the Stock Exchange. The Company confirms that it has complied with the disclosure and annual review requirements in accordance with Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and safeguarding the interests of the Shareholders of the Company. The Company has adopted sound governance and disclosure practices, and is committed to continuously improving these practices and inculcating an ethical corporate culture.

Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report of the Company.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

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

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

As at 31 December 2017, the Board comprised seven Directors, including four executive Directors, namely Mr. Pan Shiyi (Chairman), Mrs. Pan Zhang Xin Marita (Chief Executive Officer), Ms. Yan Yan (President) and Ms. Tong Ching Mau; and three independent non-executive Directors, namely Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua (details of their biographical information are set out in the section headed "Biographies of Directors and Members of Senior Management" of this annual report).

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 addition to the Board. At each annual general meeting, one-third (or, if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being shall retire from office by rotation but are eligible for re-election and re-appointment.

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

The Board is established in accordance with the provisions of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise and the number of independent non-executive Directors represented 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 was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita respectively with clear distinction in responsibilities. The Chairman of the Board is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that issues raised at the Board meetings are explained appropriately. The Chief Executive Officer is responsible for the day-to-day management of the business of the Company, implementation of the policies, business objectives and plans set by the Board, and is accountable to the Board for the overall operation of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors were appointed for a term of three years, subject to retirement by rotation at the annual general meeting and being eligible, to offer themselves for re-election.

Pursuant to the guidelines provided in Rule 3.13 of the Listing Rules, the Company has received the confirmation of independence from each of the independent non-executive Directors, and thus the Board considers such Directors to be independent persons. The Board believes that the independent non-executive Directors are able to offer independent opinions on the Company's development strategy, risk management and management process, etc. so that the interests of the Company and all Shareholders will be taken into consideration and duly safeguarded.

BOARD MEETINGS

During the Year, four Board meetings were held and below is the attendance of each of the Directors at the Board meetings:

Directors	Attendance/No. of Meetings
Executive Directors	
Pan Shiyi	4/4
Pan Zhang Xin Marita	4/4
Yan Yan	4/4
Tong Ching Mau	4/4
Independent non-executive Directors	
Sun Qiang Chang	4/4
Cha Mou Zing, Victor	4/4
Xiong Ming Hua	4/4

During the Board meetings, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company.

PROVISION AND USE OF INFORMATION

- Minutes of all Board meetings and meetings of the Board committees are kept by designated secretaries, and will be available for inspection by any Director after giving reasonable notice.

- All Directors are entitled to receive advice and services from the Company Secretary to ensure due compliance with the terms of reference of the Board.

- Directors may have recourse to seek independent advice from professionals as appropriate and such fees incurred shall be borne by the Company.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua. The Audit Committee is chaired by Mr. Sun Qiang Chang, who has the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee is authorized by the Board to review the relevant financial reports and to give recommendations and advices, its duties include:

1. Relationship with the Company's auditors

The duty to make recommendations to the Board on the appointment, re-appointment or removal of external auditors; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; to develop and implement policies on the engagement of the external auditors for providing audit services; to meet with the external auditors and discuss matters relating to the audit, if necessary, in the absence of the management of the Company.

2. Review of financial information of the Company

The duty to monitor the integrity of financial statements of the Company as set out in the Company's annual reports and accounts and half-yearly reports, and to review any significant views of financial reporting contained in them.

3. **Monitor the Company's financial reporting system, risk management and internal control systems**

   Each of the Company's operational departments has established internal audit and supervisory functions for its operating procedures. The Audit Committee will also review the financial reporting system, risk management and internal control systems to ensure adequate resources, including that sufficient staff with qualifications and experience in accounting and financial reporting, as well as training programs and budgets are allocated to operate the internal control procedures effectively.

   Details of the authorities and duties of the Audit Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange.

   In 2017, two meetings were held by the Audit Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meetings
Sun Qiang Chang *(Chairman)*	2/2
Cha Mou Zing, Victor	2/2
Xiong Ming Hua	2/2

The Audit Committee had reviewed the internal audit plan report submitted by the internal audit department and the risk management and internal control systems, and recommended the Board on risk management and internal control matters. The Audit Committee had also reviewed the adequacy of resources, the interim results for the six months ended 30 June 2017 and the audited consolidated annual results of the Company for the year ended 31 December 2017 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

The Audit Committee had reviewed the auditors' fee for the year 2017, and recommended the Board to re-appoint PwC as the auditors of the Company for the year 2018, which is subject to the approval of Shareholders of the Company at the forthcoming AGM.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises three independent non-executive Directors, namely Mr. Cha Mou Zing, Victor, Mr. Sun Qiang Chang, and Mr. Xiong Ming Hua. The Remuneration Committee is chaired by Mr. Cha Mou Zing, Victor. The Remuneration Committee is mainly responsible for determining remuneration packages of individual executive Directors and senior management of the Company, appraising the performance of the executive Directors and senior management of the Company and making recommendations for their remuneration arrangements, as well as for assessing and making recommendations for staff benefits to the Board. Details of the authorities and duties of the Remuneration Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange.

During the Year, one meeting was held by the Remuneration Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Cha Mou Zing, Victor *(Chairman)*	1/1
Sun Qiang Chang	1/1
Xiong Ming Hua	1/1

A complete record of the minutes of the Remuneration Committee meetings is kept by the Company Secretary. The Remuneration Committee had reviewed the Company's remuneration policies, the terms of the service contracts and the performance of all executive Directors and the senior management. In the opinion of the Remuneration Committee, the remuneration payable to all executive Directors and the senior management is in accordance with the terms of the service contracts, such remuneration is fair and reasonable, and does not create any additional burden for the Company.

Remuneration details of each Director for the year of 2017 are set out in the section headed "Directors' Remuneration" of the Directors' Report and Note 34 to the audited consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises one executive Director and two independent non-executive Directors, namely Mr. Pan Shiyi, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua. The committee is chaired by Mr. Pan Shiyi. Details of the authorities and duties of the Nomination Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange. Its roles are highlighted as follows:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) to assess the independence of the independent non-executive Directors;

(4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and chief executive of the Company;

(5) to conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable law; and

(6) to ensure the chairman of the Nomination Committee, or in the absence of the chairman, another member of the Nomination Committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.

During the Year, two meetings were held by the Nomination Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Pan Shiyi *(Chairman)*	2/2
Cha Mou Zing, Victor	2/2
Xiong Ming Hua	2/2

During the Year, the Nomination Committee had discussed the number of employees and the Board structure and composition of the Company.

PROCEDURES FOR NOMINATION OF DIRECTORS

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the required written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Nomination Committee meeting to discuss and assess the suitability of the candidate and where appropriate, make recommendations to the Bard.

7. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

CRITERIA FOR NOMINATION OF DIRECTORS

1. Common criteria for all Directors

(a) Character and integrity.

(b) Willingness to assume board fiduciary responsibilities.

(c) Satisfying the present needs of the Board for particular experience or expertise.

(d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products/services and processes used by the Company.

(e) Significant business or public experience relevant and beneficial to the Board and the Company.

(f) Breadth of knowledge about issues affecting the Company.

(g) Ability to objectively analyse complex business problems and exercise sound business judgement.

(h) Ability and willingness to contribute special competencies to Board activities.

(i) Fit into the Company's culture.

2. Criteria applicable to non-executive Directors/independent non-executive Directors

(a) Willingness and ability to make sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and Board committee meetings.

(b) Accomplishments of the candidate in his/her field.

(c) Outstanding professional and personal reputation.

(d) For an independent non-executive Director, the candidate's ability to meet the independence criteria under the Listing Rules.

BOARD DIVERSITY POLICY

The Company adopted the Board Diversity Policy (the "Policy") on 20 August 2013.

The Policy sets out the approach to achieve diversity on the Board, details of which are set out below.

Policy Statement

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factors.

The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of having a diverse Board. The Company believes that a diversity of perspectives can be achieved through taking into account a range of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company sees promoting diversity of perspectives at the Board level as an essential element in supporting the achievement of its business and strategic objectives and maintaining its sustainable development.

Measurable Objectives

The Nomination Committee has primary responsibility for identifying qualified candidates to become members of the Board and, in carrying out this responsibility, will give adequate consideration to this Policy. Board appointments will continue to be made on the basis of merit and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for supervising the preparation of the annual accounts, which give a true and fair view of the state of affairs, the operating results and the cash flows of the Group for the Year. In preparing the accounts for the year ended 31 December 2017, the Directors have selected suitable accounting policies and adopted appropriate accounting standards. Based on judgements and estimates that are prudent and reasonable, the Directors had ensured that the accounts are prepared on the going concern basis. The Directors have confirmed that the consolidated financial statements of the Group are prepared in compliance with the statutory requirements and appropriate accounting standards.

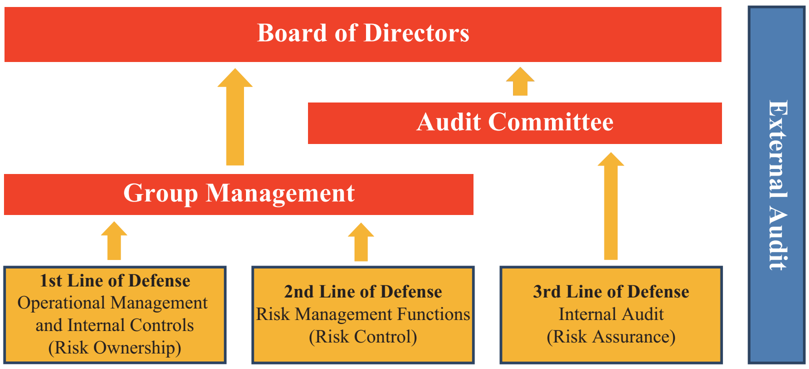
RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The Risk Management and Compliance department and the Group Internal Audit assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept regularly appraised of significant risks that may impact on the Group's performance.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with the relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Nevertheless, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than to eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the "Three Lines of Defense" model as shown below:



The Risk Management and Compliance department, which co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committee at each regularly scheduled meeting including, amongst other things, significant risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to the Risk Management and Compliance department on a half-yearly basis.

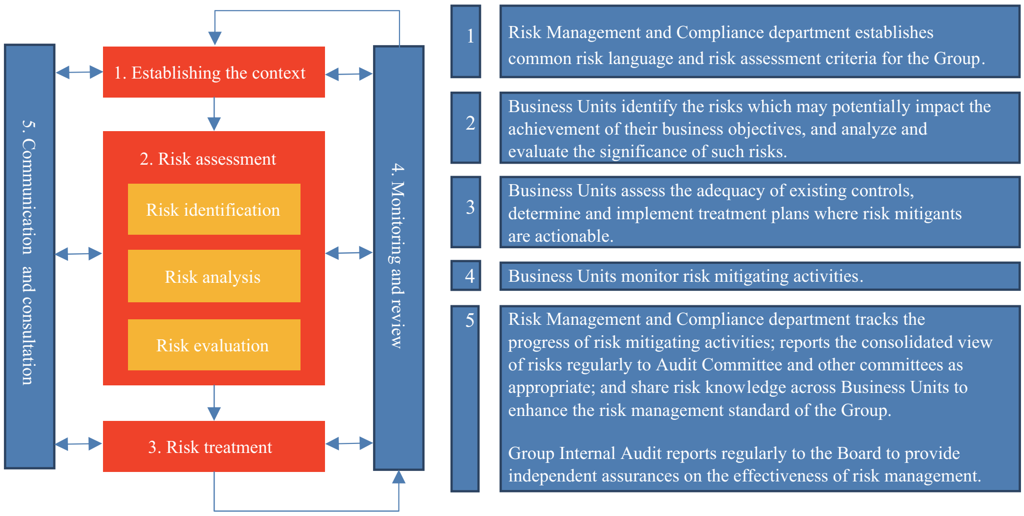
The Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls.

The Group Internal Audit adopts a risk-and-control-based audit approach. The annual work plan of the Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. Special reviews are also performed at the management's request. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progresses are reported to the Audit Committee periodically.

The Group Internal Audit provides independent assurance to the Board, the Audit Committee and the executive management of the Group on the adequacy and effectiveness of risk management and internal control systems for the Group. The Head of Group Internal Audit reports directly to the Chairman of the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the Group.

The senior management of the Group, supported by the Risk Management and Compliance department and the Group Internal Audit, is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems, and for providing regular reports to the Board and/or the Audit Committee on the effectiveness of these systems.

The Group adopts the principles of ISO 31000:2009 Risk Management – Principles and Guidelines as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:



The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Group and its business practices in the future.

The Group has embedded its risk management and internal control systems into the core operating practices of the business. On an ongoing basis, the respective operating units of the Company will review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. This review process includes assessment as to whether the existing risk management and internal control systems continue to remain relevant, adequately address potential risks, and/or should be supplemented. The results of these reviews are recorded in the operating units' risk registers for monitoring and incorporated into the Group's consolidated risk register for analysis of potential strategic implications and for regular reporting to the senior management and Directors of the Company.

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairman of the Audit Committee has designated the Head of Group Internal Audit to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

The Group regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During 2017, the Risk Management and Compliance department has worked closely with the operating units, senior management and the Directors to enhance the Group's risk management and internal control systems. Such activities included, amongst other matters, increasing the number of training sessions and risk workshops; further standardization of risk reporting language, classification, and quantification; more closely aligning the assessment of internal controls with their potential risks; and increasing the depth and frequency of interaction with the designated Directors on the Group's risk management and internal control systems' design, operation, and findings. The Risk Management and Compliance department has presented update reports to the Board and the Audit Committee on the monitoring of the risk management and assisted the Directors in the review of the effectiveness of the risk management and internal control systems of the Group during the Year.

During 2017, the Group Internal Audit conducted selective reviews of the effectiveness of the risk management and internal control systems of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and procurement. Additionally, the heads of major business and corporate functions of the Group were required to undertake control and self-assessments of their key controls. These results were assessed by the Group Internal Audit and reported to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results or operations of the Group and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

In addition to the review of the risk management and internal control systems undertaken within the Group, the external auditors also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditors' recommendations are adopted and enhancements to the risk management and internal controls will be made.

AUDITORS' REMUNERATION

PwC is the independent external auditors of the Company. The remuneration amounts paid and payable by the Company to PwC for their services rendered for the year ended 31 December 2017 are set out below:

Services rendered	Fees paid/payable
Audit services for 2017	RMB4.20 million
Non-audit services:	
Hong Kong and Macau tax compliance service	RMB0.21 million
Due diligence services	–
Environment, Social and Governance compliance service	RMB0.24 million

EFFECTIVE COMMUNICATION WITH THE INVESTMENT COMMUNITY

The Company attaches great importance to effective and close communications with investors. The investor relations team of the Company seeks to provide the most efficient and effective channel for our Shareholders, bondholders and the investment community to gain information about the Company. In addition to the regular interim and annual results announcements and reports and daily communications through emails and phone calls, the investor relations team also takes frequent and active participation in global investment conferences.

During the Year, we attended more than ten global investor conferences held in Beijing, Shanghai, Hong Kong and Singapore, meeting institutional investors from global investment community and providing updates of the Company. We took tens of times investors/analysts site visits, including visiting Fuxing SOHO, Bund SOHO, Guanghualu SOHO II and Wangjing SOHO, and also our SOHO 3Q visits in Beijing and Shanghai. In March and August 2017, the Company arranged road shows to visit investors spreading across the United States, the United Kingdom, Singapore and Hong Kong.

During the Year, the Company held the 2017 AGM on 26 May 2017 and an extraordinary general meeting on 27 September 2017 (the "2017 EGM") and below is the attendance of each Director:

	Attendance	
	2017 AGM	2017 EGM
Executive Directors		
Mr. Pan Shiyi	0/1	0/1
Mrs. Pan Zhang Xin Marita	0/1	0/1
Ms. Yan Yan	1/1	1/1
Ms. Tong Ching Mau	1/1	0/1
Independence Non-Executive Directors		
Mr. Sun Qiang Chang	0/1	0/1
Mr. Cha Mou Zing, Victor	0/1	0/1
Mr. Xiong Ming Hua	0/1	0/1

The 2017 AGM provided an ideal chance for communication between the Board and the Shareholders of the Company to consider the declaration and payment of special dividend as well as the re-election of Directors.

The 2017 EGM was convened by the Board and held to consider the declaration and payment of special dividend.

COMPANY SECRETARY

The Company engages Ms. Mok Ming Wai, a director of TMF Hong Kong Limited, as its Company Secretary. Her primary corporate contact person at the Company is Ms. Tong Ching Mau, the executive Director and Chief Financial Officer of the Company. In compliance with Rule 3.29 of the Listing Rules, Ms. Mok, has undertaken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting and putting forward proposals

Under the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting (an "EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to convene and put forward proposals at an EGM are stated as follows:

(1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong situated at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for the attention of the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, the Directors do not proceed to convene an EGM, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

Shareholders of the Company who intend to put forward their enquiries about the Company to the Board may email their enquiries to ir@sohochina.com.

Amendments to the Company's memorandum and articles of association

There was no significant change in the Company's constitutional documents during the Year.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his or her first appointment in order to enable him or her to have an understanding of the business and operations of the Company and be fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

During the Year, all the Directors, namely Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan, Ms. Tong Ching Mau, Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua, were provided with regular updates on the Group's business, operations, and financial matters, as well as regulatory updates on applicable legal and regulatory requirements. In addition, all Directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancements of their professional development by way of attending training courses or via on-line aids or reading relevant materials.

CORPORATE INFORMATION

Executive Directors	Pan Shiyi *(Chairman)* Pan Zhang Xin Marita *(Chief Executive Officer)* Yan Yan (resigned on 8 March 2018) Tong Ching Mau
Independent non-executive Directors	Sun Qiang Chang Cha Mou Zing, Victor Xiong Ming Hua
Company Secretary	Mok Ming Wai
Members of the Audit Committee	Sun Qiang Chang *(Chairman)* Cha Mou Zing, Victor Xiong Ming Hua
Members of the Remuneration Committee	Cha Mou Zing, Victor *(Chairman)* Sun Qiang Chang Xiong Ming Hua
Members of the Nomination Committee	Pan Shiyi *(Chairman)* Cha Mou Zing, Victor Xiong Ming Hua
Authorised Representatives	Pan Zhang Xin Marita Mok Ming Wai
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11/F, Tower A Chaowai SOHO 6B Chaowai Street Chaoyang District Beijing 100020 China

Principal Place of Business in Hong Kong

36/F
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

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

Stephenson Harwood
18th Floor, United Centre
95 Queensway
Hong Kong

Auditors

PricewaterhouseCoopers
22/F, Prince's Building
10 Chater Road
Central, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China Everbright Bank Company Limited
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited

Website address

www.sohochina.com

Stock Code

410

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SOHO China Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of SOHO China Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 176, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the valuation of investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to note 12 to the consolidated financial statements. The Group's investment properties are measured at fair value model and carried at RMB56,276 million as at 31 December 2017 and there was a revaluation gain of RMB7,126 million for the year then ended. The fair value of investment properties is determined by the Group based on the valuations performed by independent professional valuers (the "Valuers") engaged by the Group. The Group's investment property portfolio in mainland China include completed investment properties and investment properties under development.	We assessed the competence, capabilities and objectivity of the Valuers. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied. We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, rental per square meter and estimated price per square meter of each investment property by independently gathering and analysing the data of comparable properties in the market and the characteristics of individual investment property such as location and size.

Key Audit Matter	How our audit addressed the Key Audit Matter
• Completed investment properties: the valuation results of these are derived from the average of income capitalization approach and direct comparison method. For income capitalization approach, the relevant key assumptions include capitalization rate and rental per square meter. For direct comparison method, the relevant key assumption is estimated price per square meter, with reference to recent transactions of comparable properties and adjusted for differences in key attributes such as but not limited to location and property size. • Investment properties under construction: the valuation results of these are derived from the residual method. The relevant key assumptions include capitalization rates, rental per square meter, estimated price per square meter, development costs to completion and developer's profit margin. All the relevant key assumptions are influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum of investment properties to the consolidated financial statements and the relevant key assumptions applied in valuation involved significant judgements and estimates.	We checked the assumption on development costs to completion of each investment property under construction with the approved budget, the reasonableness of which was assessed by comparison with the actual cost of completed investment properties of the Group. We assessed the reasonableness of the assumption on developer's profit margin by reference to the range of estimated and empirical developer's average profit margin in the industry. In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were in the acceptable range.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2018

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Turnover	*4*	**1,962,610**	1,577,215
Cost of sales	*5*	**(509,431)**	(334,717)
Gross profit		**1,453,179**	1,242,498
Valuation gains on investment properties	*12*	**7,125,702**	1,270,367
Other gains – net	*7*	**383,308**	501,348
Other revenue and income	*8*	**491,062**	385,007
Selling expenses	*5*	**(72,043)**	(62,037)
Administrative expenses	*5*	**(298,850)**	(264,506)
Other operating expenses	*5*	**(267,599)**	(369,248)
Operating profit		**8,814,759**	2,703,429
Finance income	*9*	**95,088**	121,195
Finance expenses	*9*	**(584,203)**	(820,525)
Share of results of joint venture		**–**	(4,749)
Profit before income tax		**8,325,644**	1,999,350
Income tax expense	*10*	**(3,534,103)**	(1,090,610)
Profit for the year		**4,791,541**	908,740
Profit attributable to:			
Owners of the Company		**4,733,481**	910,232
Non-controlling interests		**58,060**	(1,492)
Profit for the year		**4,791,541**	908,740
Earnings per share (expressed in RMB per share)	*11*		
Basic earnings per share		**0.912**	0.175
Diluted earnings per share		**0.912**	0.175

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**4,791,541**	908,740
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**20,715**	(183,746)
Other comprehensive income for the year	**20,715**	(183,746)
Total comprehensive income for the year	**4,812,256**	724,994
Attributable to:		
– Owners of the Company	**4,754,196**	726,486
– Non-controlling interests	**58,060**	(1,492)
Total comprehensive income for the year	**4,812,256**	724,994

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2017**	2016
		RMB'000	RMB'000
Assets			
Non-current assets			
Investment properties	*12*	**56,276,000**	55,087,000
Property and equipment	*13*	**1,194,330**	795,939
Bank deposits	*20*	**364,166**	338,764
Intangible assets		**4,780**	6,393
Interest in joint ventures		**–**	6,277
Deferred income tax assets	*16(b)*	**680,412**	1,572,908
Trade and other receivables	*19*	**326,761**	286,701
Deposits and prepayments	*18*	**169,133**	169,133
		59,015,582	58,263,115
Current assets			
Properties under development and completed properties held for sale	*17*	**2,820,840**	4,226,843
Deposits and prepayments	*18*	**302,427**	315,484
Trade and other receivables	*19*	**433,597**	478,258
Bank deposits	*20*	**260,194**	258,100
Cash and cash equivalents	*21*	**3,701,791**	3,864,045
Assets of disposal group classified as held for sale	*22*	**4,683,111**	–
		12,201,960	9,142,730
Total assets		**71,217,542**	67,405,845
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**106,112**	106,112
Other reserves		**32,598,240**	34,432,900
		32,704,352	34,539,012
Non-controlling interests		**1,022,945**	1,108,665
Total equity		**33,727,297**	35,647,677

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings	*23*	**14,899,162**	9,491,838
Corporate bonds	*26*	**2,994,283**	2,989,123
Contract retention payables		**139,159**	123,173
Deferred income tax liabilities	*16(b)*	**7,445,890**	6,340,927
		25,478,494	18,945,061
Current liabilities			
Bank borrowings	*23*	**3,140,391**	2,954,963
Rental and sales deposits	*24*	**520,054**	302,948
Trade and other payables	*25*	**3,353,745**	3,923,376
Current income tax liabilities		**2,016,669**	5,631,820
Liabilities of disposal group classified as held for sale	*22*	**2,980,892**	–
		12,011,751	12,813,107
Total liabilities		**37,490,245**	31,758,168
Total equity and liabilities		**71,217,542**	67,405,845

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 20 March 2018 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	General reserve fund RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		106,112	5,202,742	(32,338)	9,661	46,487	(1,636,954)	189,527	567,436	32,147,198	36,599,871	1,122,657	37,722,528
Profit for the year		–	–	–	–	–	–	–	–	910,232	910,232	(1,492)	908,740
Other comprehensive income		–	–	–	–	–	(183,746)	–	–	–	(183,746)	–	(183,746)
Total comprehensive income		–	–	–	–	–	(183,746)	–	–	910,232	726,486	(1,492)	724,994
Treasury shares	27(b)(ii)	–	–	(3,636)	–	–	–	–	–	–	(3,636)	–	(3,636)
Dividends approved in respect of the previous year	27(a)(ii)	–	(1,807,179)	–	–	–	–	–	–	–	(1,807,179)	–	(1,807,179)
Dividends declared in respect of the current year	27(a)(i)	–	(986,535)	–	–	–	–	–	–	–	(986,535)	–	(986,535)
Employees' share award scheme	28(b)	–	–	–	–	3,743	–	–	–	–	3,743	–	3,743
Employees' share option schemes	28(a)	–	–	–	–	1,297	–	–	–	–	1,297	–	1,297
Vesting of shares under employees' share award scheme	28(b)	–	3,121	5,248	–	(8,369)	–	–	–	–	–	–	–
Distributions to non-controlling interest		–	–	–	–	–	–	–	–	–	–	(12,500)	(12,500)
Transfer to general reserve fund	27(c)(v)	–	–	–	–	–	–	–	36,888	(36,888)	–	–	–
Hedging		–	–	–	–	4,965	–	–	–	–	4,965	–	4,965
Balance at 31 December 2016		106,112	2,412,149	(30,726)	9,661	48,123	(1,820,700)	189,527	604,324	33,020,542	34,539,012	1,108,665	35,647,677
Balance at 1 January 2017		106,112	2,412,149	(30,726)	9,661	48,123	(1,820,700)	189,527	604,324	33,020,542	34,539,012	1,108,665	35,647,677
Profit for the year		-	-	-	-	-	-	-	-	4,733,481	4,733,481	58,060	4,791,541
Other comprehensive income		-	-	-	-	-	20,715	-	-	-	20,715	-	20,715
Total comprehensive income		-	-	-	-	-	20,715	-	-	4,733,481	4,754,196	58,060	4,812,256
Treasury shares	27(b)(ii)	-	-	(8,598)	-	-	-	-	-	-	(8,598)	-	(8,598)
Dividends approved in respect of the previous year	27(a)(ii)	-	(1,796,777)	-	-	-	-	-	-	-	(1,796,777)	-	(1,796,777)
Dividends declared in respect of the current year	27(a)(i)	-	(599,315)	-	-	-	-	-	-	(4,188,168)	(4,787,483)	-	(4,787,483)
Employees' share award scheme	28(b)	-	-	-	-	2,729	-	-	-	-	2,729	-	2,729
Employees' share option schemes	28(a)	-	-	-	-	1,273	-	-	-	-	1,273	-	1,273
Vesting of shares under employees' share award scheme	28(b)	-	1,234	4,741	-	(5,975)	-	-	-	-	-	-	-
Distributions to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(143,780)	(143,780)
Transfer to general reserve fund	27(c)(v)	-	-	-	-	-	-	-	40,721	(40,721)	-	-	-
Balance at 31 December 2017		106,112	17,291	(34,583)	9,661	46,150	(1,799,985)	189,527	645,045	33,525,134	32,704,352	1,022,945	33,727,297

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Profit before taxation	**8,325,644**	1,999,350
Adjustments for:		
Valuation gains on investment properties	**(7,125,702)**	(1,270,367)
Depreciation and amortization	**59,238**	55,940
Finance income	**(95,088)**	(121,195)
Interest expense	**581,065**	802,194
Share of results of joint ventures	**–**	4,749
Net foreign exchange losses	**2,130**	2,242
Gains on disposal of investment properties	**(13,373)**	(501,348)
Impairment losses reversed for trade and other receivables	**–**	(1,500)
Gains from disposal of a subsidiary	**(369,959)**	–
Losses from disposal of joint venture	**24**	–
Losses from disposal of property and equipment	**1,960**	–
Equity-settled share-based payment expense	**4,002**	5,040
Changes in working capital:		
(Increase)/decrease in deposits and prepayments	**(25,856)**	10,083
(Increase)/decrease in trade and other receivables	**(17,005)**	39,227
Increase in properties under development and completed properties held for sale	**(170,488)**	(47,925)
Increase/(decrease) in rental and sales deposits	**219,775**	(17,274)
Increase/(decrease) in trade and other payables	**155,743**	(142,877)
Cash generated from operations	**1,532,110**	816,339
Interest received	**100,098**	106,153
Interest paid	**(837,356)**	(1,083,303)
Income tax paid	**(4,005,928)**	(441,236)
Net cash used in operating activities	**(3,211,076)**	(602,047)

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Cash flows from investing activities		
Payment for development costs and purchase of investment properties	**(1,320,762)**	(1,768,550)
Purchase of property and equipment	**(9,258)**	(6,518)
Proceeds from disposal of completed investment properties	**149,549**	3,235,721
(Increase)/decrease in bank deposits	**(27,496)**	9,425
Proceeds from disposal of a subsidiary, net	**2,565,797**	–
Proceeds from disposal of joint venture	**6,253**	–
Net cash generated from investing activities	**1,364,083**	1,470,078
Cash flows from financing activities		
Proceeds from bank borrowings	**12,159,830**	6,376,883
Proceeds from corporate bonds	**–**	2,984,230
Repayment of bank borrowings	**(3,675,283)**	(10,390,401)
Repurchase of senior notes	**–**	(1,658,836)
Payment for purchase of treasury shares for employees' share award scheme	**(8,598)**	(3,636)
Dividends paid to equity shareholders of the Company	**(6,584,260)**	(2,793,714)
Distribution to non-controlling interest	**(143,780)**	(12,500)
Net cash generated from/(used in) financing activities	**1,747,909**	(5,497,974)
Net decrease in cash and cash equivalents	**(99,084)**	(4,629,943)
Cash and cash equivalents at beginning of the year	**3,864,045**	8,405,967
Exchange (loss)/gains on cash and cash equivalents	**(48,063)**	88,021
Cash and cash equivalents transferred to the assets of disposal group	**(15,107)**	–
Cash and cash equivalents at the end of the year	**3,701,791**	3,864,045

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collectively include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company and its subsidiaries (the "Group"). Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interests in joint ventures.

The functional currency of the Company is Hong Kong dollars ("HKD"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying out the principal activities of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see Note 1(f));

– office premises (see Note 1(h));

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

Disposal groups held for sale

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in the Company's annual financial statements for the year ended 31 December 2017.

(c) Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12; and

- Disclosure initiative -amendments to HKAS 7.

The Group also elected to adopt the following amendments early:

- Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2;

- Annual Improvements to HKFRS Standards 2014-2016 Cycle; and

- Transfers of Investment Property – Amendments to HKAS 40.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 30.

1 Significant accounting policies (continued)

(c) Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations is set out below:

- *HKFRS 9, 'Financial instruments'*

  Impact

  The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

  Investments in equity instruments currently classified as available-for-sale (AFS) are always measured at fair value. However, management can make an irrevocable election to present changes in fair value through other comprehensive income (FVOCI), and there is no subsequent recycling of the amounts in other comprehensive income to profit or loss.

  Equity investments currently measured at fair value through profit or loss (FVPL) will continue to be measured on the same basis under HKFRS 9.

  There will be no impact on the Group's accounting for available-for-sale as the Group does not have any such equity investments.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

  The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, the Group currently does not have hedging relationship. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationship.

1 Significant accounting policies (continued)

(c) Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

- *HKFRS 9, 'Financial instruments' (continued)*

  Impact (continued)

  The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expects a significant impact on the impairment provisions accrued.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

  Date of adoption

  The new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard.

- *HKFRS 15, 'Revenue from contracts with customers'*

  Nature of change

  The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18, which covers contracts for goods and services and HKAS 11, which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

1 Significant accounting policies (continued)

(c) Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

- *HKFRS 15, 'Revenue from contracts with customers' (continued)*

  Impact

  Management has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

  Revenue from some pre-sales properties under development may be recognised over time in accordance with input method for measuring method instead of a point of time, if the Group has an enforceable right to payment from the customers for the performance completed to date; and

  The costs relate directly to obtain contracts with customer that it would not have incurred if the contract had not been obtained, such as commission and stamp tax, will be eligible for capitalisation under HKFRS 15 and will be amortised on a systematic basis consistent with the pattern of the transfer of the properties to which the assets related.

  Date of adoption by group

  Presently the Group doesn't have any properties under development, and the date of delivery of the properties and collectability of the receivables is very close, HKFRS 15 has limited impact on the Group's financial statements.

  Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparative figure of the financial information of year 2018 will not be restated.

- *HKFRS 16, 'Leases'*

  Nature of change

  HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

  The accounting for lessors will not significantly change.

1 Significant accounting policies (continued)

(c) Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

- *HKFRS 16, 'Leases' (continued)*

  Impact

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB676,678,000. The Group estimates that approximately none of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

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

  Date of adoption

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

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

(d) Subsidiaries and non-controlling interests

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 1(l) or Note 1(m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in joint venture (see Note 1(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (continued)

(e) Joint ventures

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to joint control over a joint venture, except for the case of partial disposal of joint venture into an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's balance sheet, investments in joint ventures are stated at cost less impairment losses (see Note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (continued)

(f) Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is measured initially at cost, including related transaction costs and borrowing costs, where applicable.

After initial recognition, investment properties, including completed investment properties and investment properties under construction, are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time.

Fair value is assessed by a professional independent value, based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(r)(ii).

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Transfers to or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) Commencement of an operating lease to another party, for a transfer from inventories to investment property.

(b) Commencement of development with a view to sale, for a transfer from investment property to inventories.

1 Significant accounting policies (continued)

(f) Investment properties (continued)

When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

(g) Intangible asset

(i) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which do not exceed 10 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred

(h) Property and equipment

Office premises are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Serviced apartment properties, that are owner-occupied properties from which the Group earns apartment service income, and equipment items are stated at cost less accumulated depreciation and impairment losses (see Note 1(k)).

Changes arising on the revaluation of office premises are generally dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

1 Significant accounting policies (continued)

(h) Property and equipment (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to a working condition for its intended use. Expenditure incurred after the asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Office premises and serviced apartment properties situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 10 to 40 years after the date of completion.

– Office equipment 5 years.

– Motor vehicles 8 years.

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies (continued)

(i) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(k)). In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 Significant accounting policies (continued)

(k) Impairment of assets

(i) Impairment of investments and receivables

Investments and current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For investments in subsidiaries and joint venture (including those recognised using the equity method (see Note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(k)(ii).

For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

1 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments and receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property and equipment (other than office premises carried at revalued amounts) and intangible asset may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees under the employees' share option schemes and shares granted to employees under the employees' share award scheme (the "Awarded Shares") is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of share options is measured at grant date using the Black-Scholes Model or Binomial Tree Pricing Method, taking into account the terms and conditions upon which the options were granted. The fair value of Awarded Shares is measured at quoted share price at grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or Awarded Shares, the total estimated fair value of the options or Awarded Shares is spread over the vesting period, taking into account the probability that the options or Awarded Shares will vest.

During the vesting period, the number of share options or Awarded Shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options or Awarded Shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the Awarded Shares are transferred to the employees (when it is credit to the treasury shares account) or the option expires (when it is released directly to retained profits).

1 Significant accounting policies (continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant accounting policies (continued)

(p) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. The presumption that the carrying amount of investment property carried at fair value under HKAS 40 will be recovered through sale is rebutted by the Group.

In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

(ii) Contingent liabilities assumed in business combinations

Any contingent consideration assumed in a business combination to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

1 Significant accounting policies (continued)

(q) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as sales deposits.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 Significant accounting policies (continued)

(r) Revenue recognition (continued)

(iii) Rendering of services

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference of surveys of work performed.

(iv) Dividend

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

(s) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 Significant accounting policies (continued)

(t) Translation of foreign currencies (continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Operating lease payments

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies (continued)

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant accounting policies (continued)

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Financial risk management

2.1 Financial risk factor

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the executive directors.

(a) Market risk

(i) Foreign exchange risk

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk mainly on financing transactions denominated in the currency other than the Company and related entities' functional currency (HKD and RMB respectively). Depreciation or appreciation of RMB against HKD can affect the Group's results. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

2 Financial risk management (continued)

2.1 Financial risk factor (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The amounts denominated in the currency other than the functional currency of the entities to which they relate were as follows:

	2017 RMB'000	2016 RMB'000
RMB		
– Cash and cash equivalents	**5,699**	3,452
– Amounts due from subsidiaries	**712,675**	718,462
– Amounts due to subsidiaries	**(674,893)**	(663,337)

As at 31 December 2017, if RMB had weakened/strengthened by 5% against HKD with all other variable held constant, post-tax profit for the year of the Group would have been RMB2,174,000 lower/higher (2016: RMB2,929,000 lower/higher).

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings including bank borrowings and corporate bonds, which are disclosed in Note 23 and Note 26, respectively. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2017 and 2016, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

As at 31 December 2017, if interest rates have increased/decreased by 100 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB111,288,000 (2016: RMB77,484,000).

2 Financial risk management (continued)

2.1 Financial risk factor (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amount of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets.

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not deliver properties to tenants before it receives the rental deposits and would not release the property ownership certificates to the buyers before the buyers finally settle the selling price.

The recoverability of trade and other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors. As at 31 December 2017, the management does not expect any significant losses from non-performance by the counterparties.

(c) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecast process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

2 Financial risk management (continued)

2.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Bank borrowings	**3,799,611**	**1,641,197**	**4,244,047**	**12,965,904**	**22,650,759**
Corporate bonds	**103,500**	**3,008,625**	**–**	**–**	**3,112,125**
Contract retention payables	**139,159**	**–**	**–**	**–**	**139,159**
Trade and other payables excluding non-financial liabilities	**3,250,475**	**–**	**–**	**–**	**3,250,475**
	7,292,745	**4,649,822**	**4,244,047**	**12,965,904**	**29,152,518**
At 31 December 2016					
Bank borrowings	3,498,849	1,095,045	3,877,570	6,453,185	14,924,649
Corporate bonds	108,736	108,927	3,007,772	–	3,225,435
Contract retention payables	123,173	–	–	–	123,173
Trade and other payables excluding non-financial liabilities	3,806,682	–	–	–	3,806,682
	7,537,440	1,203,972	6,885,342	6,453,185	22,079,939

2 Financial risk management (continued)

2.2 Capital management

Consistent with industry practice, the Group monitors its capital structure on the basis of the ratio of the total of bank and interest bearing borrowings to the total assets. The bank and interest bearing borrowings include corporate bonds and bank borrowings of both RMB1,980,000,000 transferred to liabilities of disposal group as disclosed in Note 22 and RMB18,039,553,000 as disclosed in Note 23. As at 31 December 2017, the ratio was 32.31% (2016: 22.90%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

2.3 Fair value estimation

Investment properties are stated as fair value, other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017 and 2016.

The method and major assumptions used in estimating the fair value of the share options granted to employees of the Group are set out in Note 28. The unit fair values of the Awarded Shares are share price at grant dates which can be obtained from the stock market directly.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) 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).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

2 Financial risk management (continued)

2.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017 and 2016. See Note 12 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
At 31 December 2017				
Investment properties	**–**	**–**	**56,276,000**	**56,276,000**
Office premises	**–**	**–**	**298,338**	**298,338**
Total assets	**–**	**–**	**56,574,338**	**56,574,338**
Assets				
At 31 December 2016				
Investment properties	–	–	55,087,000	55,087,000
Office premises	–	–	307,692	307,692
Total assets	–	–	55,394,692	55,394,692

There were no transfers between Level 1, Level 2 and Level 3 during the year.

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 changes in valuation techniques during the year.

3 Critical accounting estimates and judgements

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 12(b), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential. Details of the valuation approaches for investment properties are set out in Note 12(b).

(b) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivables balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

4 Segment information

(a) Segment reporting

The Group manages its businesses based on future development strategy of current projects, which are divided into properties development and properties investment. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Properties development

This segment includes projects which are held for sale.

(ii) Properties investment

This segment includes projects which are held for rental.

4 Segment information (continued)

(b) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

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

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

Management is provided with segment information concerning turnover, cost of properties sold, cost of rental business, gross profit, valuation gains on investment properties, net operating expenses, depreciation and amortization, impairment loss reversed for trade and other receivables, finance income, finance expenses, income tax expense, investment properties, properties under development and completed properties held for sale, cash and cash equivalents, bank deposits, bank borrowings, and additions to investment properties and property and equipment.

4 Segment information (continued)

(b) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	Properties development		Properties investment		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Income statement items						
Reportable segment revenue	293,334	66,649	1,669,276	1,510,566	1,962,610	1,577,215
Cost of properties sold/cost of rental business	(183,692)	(28,750)	(325,739)	(305,967)	(509,431)	(334,717)
Reportable segment gross profit	109,642	37,899	1,343,537	1,204,599	1,453,179	1,242,498
Valuation gains on investment properties	–	–	7,125,702	1,270,367	7,125,702	1,270,367
Operating (expenses)/income, net	(2,451)	(131,969)	187,232	66,988	184,781	(64,981)
Depreciation and amortization	(45,104)	(48,574)	(13,199)	(7,366)	(58,303)	(55,940)
Impairment loss reversed for trade and other receivables	–	1,500	–	–	–	1,500
Finance income	58,443	29,347	17,854	74,211	76,297	103,558
Finance expense	(17,094)	(10,406)	(604,915)	(359,554)	(622,009)	(369,960)
Reportable segment profit/(loss) before taxation	109,065	(97,912)	6,981,752	2,483,270	7,090,817	2,385,358
Income tax expense	(31,996)	(44,156)	(2,784,254)	(1,000,067)	(2,816,250)	(1,044,223)
Reportable segment profit/(loss)	77,069	(142,068)	4,197,498	1,483,203	4,274,567	1,341,135
Balance sheet items						
Investment properties	–	–	56,276,000	55,087,000	56,276,000	55,087,000
Properties under development and completed properties held for sale	2,820,840	4,226,843	–	–	2,820,840	4,226,843
Cash and cash equivalents	1,583,767	127,306	1,305,018	3,510,612	2,888,785	3,637,918
Bank deposits	588,573	551,758	35,787	45,106	624,360	596,864
Bank borrowings	–	–	14,594,040	11,429,402	14,594,040	11,429,402
Reportable segment assets	16,308,620	21,692,347	79,123,543	90,752,115	95,432,163	112,444,462
Reportable segment liabilities	12,145,733	16,433,407	25,691,314	36,945,714	37,837,047	53,379,121
Additions to investment properties and property and equipment	448,718	5,983	9,403,827	2,827,400	9,852,545	2,833,383

4 Segment information (continued)

(c) Reconciliations of reportable segment profit or loss, assets and liabilities

	2017 RMB'000	2016 RMB'000
Profit		
Reportable segment profit	4,274,567	1,341,135
Unallocated head office and corporate profit/(loss)	516,974	(432,395)
Consolidated profit	4,791,541	908,740
Income tax		
Reportable segment income tax	(2,816,250)	(1,044,223)
Unallocated head office and corporate income tax	(717,853)	(46,387)
Consolidated income tax	(3,534,103)	(1,090,610)
Bank deposits		
Reportable segment bank deposits	624,360	596,864
Consolidated bank deposits	624,360	596,864
Cash and cash equivalents		
Reportable segment cash and cash equivalents	2,888,785	3,637,918
Unallocated head office and corporate cash and cash equivalents	813,006	226,127
Consolidated cash and cash equivalents	3,701,791	3,864,045
Bank borrowings		
Reportable segment bank borrowings	14,594,040	11,429,402
Unallocated head office and corporate bank borrowings	3,445,513	1,017,399
Consolidated bank borrowings	18,039,553	12,446,801
Assets		
Reportable segment assets	95,432,163	112,444,462
Unallocated head office and corporate assets	18,195,894	16,481,588
Elimination of intra-Group balances	(42,410,515)	(61,520,205)
Consolidated total assets	71,217,542	67,405,845
Liabilities		
Reportable segment liabilities	37,837,047	53,379,121
Unallocated head office and corporate liabilities	42,024,689	39,880,447
Elimination of intra-Group balances	(42,371,491)	(61,501,400)
Consolidated total liabilities	37,490,245	31,758,168

4 Segment information (continued)

(c) Reconciliations of reportable segment profit or loss, assets and liabilities (continued)

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. All revenues from external customers of the Group are derived in the PRC for the years ended 31 December 2017 and 2016.

As at 31 December 2017, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB57,644,243,000(2016: RMB56,064,742,000), the total of these non-current assets located in Hong Kong is RMB nil (2016: RMB nil).

For the year ended 31 December 2017 and 2016, the Group does not have any single customer with the transaction value over 10% of the total external sales.

5 Expense by nature

	Note	**2017 RMB'000**	2016 RMB'000
Business tax and other levies		**318,182**	303,385
Employee benefits expense	6	**209,483**	219,183
Costs of properties sold		**183,692**	28,750
Property management expenses		**65,396**	56,828
Utilities expenses		**64,390**	63,289
Rental commission		**63,726**	49,813
Office expenses		**61,912**	50,516
Depreciation and amortization		**59,238**	55,940
Advertising and marketing expenses		**58,156**	43,979
Tax consulting service expenses		**28,557**	–
Auditors' remuneration			
– Audit services		**4,925**	4,681
– Non-audit services		**848**	823
Surcharge for overdue tax payment		**–**	130,542
Other expenses		**29,418**	22,779
Total cost of sales, selling expenses, administrative expenses and other operating expenses		**1,147,923**	1,030,508

6 Employee benefit expense

	Note	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits		**191,490**	199,794
Contributions to defined contribution retirement plan		**13,991**	14,349
Equity-settled share-based payment expenses	*33(b)*	**4,002**	5,040
		209,483	219,183

The Group participates in a defined contribution retirement scheme established by the Beijing Municipal Labour Bureau and Shanghai Municipal Labour Bureau for its staff. The Group was required to make contributions to the retirement scheme at 20% and 22% of the gross salaries of its staff in Beijing and Shanghai, respectively, during the years ended 31 December 2017 and 2016.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

Contributions totaling RMB2,009,000 (2016: RMB2,584,000) were payable to the fund at the year-end.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2016: three) directors whose emoluments are reflected in the analysis shown in Note 31. The emoluments payable to the remaining one (2016: two) individuals during the year are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	**2,235**	5,865
Retirement scheme contributions	**51**	98
	2,286	5,963

6 Employee benefit expense (continued)

(a) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in RMB)		
RMB2,000,000 – RMB3,000,000	**1**	1
RMB3,000,000 – RMB4,000,000	**–**	1

During the year ended 31 December 2017 and 2016, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7 Other gains – net

	Note	**2017 RMB'000**	2016 RMB'000
Gains on disposal of investment properties		**13,373**	501,348
Gains on disposal of subsidiaries	*(i)*	**369,959**	–
Losses on disposal of a joint venture		**(24)**	–
		383,308	501,348

(i) On 24 June 2017, the Group entered into an agreement with Prosperity Vision (III) PTE LTD (an independent third party) in relation to the disposal of equity interest and debts in a subsidiary, Ever Jump Investments Limited which directly holds the entire equity interest in the Project Company that holds Hongkou SOHO Project.

The consideration for the disposal was approximately RMB2,694 million. The net gain on disposal of RMB369,959,000 is recognised in the 'other gains – net'. The details of the disposal are set out in note 29.

8 Other revenue and income

	2017 RMB'000	2016 RMB'000
Property management income	**216,112**	228,930
Government grant	**171,369**	73,055
Hotel income	**54,265**	53,448
Others	**49,316**	29,574
	491,062	385,007

9 Finance income and finance expenses

	2017 RMB'000	2016 RMB'000
Finance income		
Interest income	**95,088**	121,195
	95,088	121,195
Finance expenses		
Interest on bank borrowings	**776,351**	836,908
Interest expenses on senior notes	**–**	260,616
Interest expenses on corporate bonds	**108,660**	101,041
Less: Interest expense recognized into investment properties under development*	**(303,946)**	(396,371)
	581,065	802,194
Net foreign exchange losses	**2,130**	2,242
Net losses on settlement of financial assets at fair value through profit or loss: Held for trading	**–**	15,185
Bank charges and others	**1,008**	904
	584,203	820,525

* *The borrowing costs were capitalized at a rate of 4.51% ~4.90% per annum (2016: 4.51 % ~ 4.90 %).*

10 Income tax expense

(a) Income tax in the consolidated income statement represents:

	Note	**2017** **RMB'000**	2016 RMB'000
Current income tax			
– PRC enterprise income tax	*(i)*	**(110,609)**	573,214
– PRC land appreciation tax		**780,887**	312,142
Deferred income tax		**2,863,825**	205,254
		3,534,103	1,090,610

(i) In accordance with No. 81 announcement from State Administration of Taxation of PRC issued in 2016, the Company received PRC enterprise income tax refundment of RMB1,025,282,000 from the administration of taxation during year ended 31 December 2017.

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

(iii) In accordance with the Corporate Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company's subsidiaries in the PRC is 25% (2016: 25%).

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

(v) According to the Implementation Rules of the Corporate Income Tax Law of the People's Republic of China, 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 liability is recognized for those to be declared in the foreseeable future.

10 Income tax expense (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017 RMB'000	2016 RMB'000
Profit before income tax	**8,325,644**	1,999,350
Income tax computed by applying the tax rate of 25% (2016: 25%)	**2,081,411**	499,838
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(195,222)**	(78,036)
Tax losses not recognised	**73,964**	18,849
Reversal of tax losses recognised in prior years	**33,107**	–
Under-provision in prior years	**10,674**	26,769
Tax effect of non-deductible expenses	**176,742**	287,298
Provision for Land Appreciation Tax for the year	**780,887**	312,142
Dividend withholding tax	**572,540**	23,750
Actual tax expense	**3,534,103**	1,090,610

11 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB4,733,481,000 (2016: RMB910,232,000) and the weighted average of 5,192,530,000 ordinary shares (2016: 5,192,502,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Note	2017 Share'000	2016 Share'000
Issued ordinary shares at 1 January		**5,199,524**	5,199,524
Effect of treasury shares	*27(b)(ii)*	**(7,375)**	(7,610)
Effect of Awarded Shares vested	*28(b)*	**381**	588
Weighted average number of ordinary shares during the year		**5,192,530**	5,192,502

11 Earnings per share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB4,733,481,000 (2016: RMB910,232,000) and the weighted average of 5,192,530,000 ordinary shares (2016: 5,192,556,000), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2017 RMB'000	2016 RMB'000
Profit attributable to ordinary equity shareholders	**4,733,481**	910,232
Profit attributable to ordinary equity shareholders (diluted)	**4,733,481**	910,232

(ii) Weighted average number of ordinary shares (diluted)

	2017 Share'000	2016 Share'000
Weighted average number of ordinary shares	**5,192,530**	5,192,502
Effect of deemed vesting of the awarded shares	**–**	54
Weighted average number of ordinary shares (diluted)	**5,192,530**	5,192,556

12 Investment properties

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
At 1 January 2016	46,082,000	8,922,000	55,004,000
Additions	73,900	1,449,725	1,523,625
Transferred from investment properties under development	4,840,000	(4,840,000)	–
Transferred from completed properties held for sale	32,873	–	32,873
Disposal of investment properties	(2,743,865)	–	(2,743,865)
Fair value gains	641,092	629,275	1,270,367
At 31 December 2016	48,926,000	6,161,000	55,087,000
At 1 January 2017	**48,926,000**	**6,161,000**	**55,087,000**
Additions	**253,621**	**889,525**	**1,143,146**
Transferred from completed properties held for sale	**1,133,328**	**–**	**1,133,328**
Disposal of a subsidiary *(Note 29)*	**(3,446,000)**	**–**	**(3,446,000)**
Disposal of investment properties	**(126,176)**	**–**	**(126,176)**
Investment properties classified as held for sale *(Note 22)*	**(4,641,000)**	**–**	**(4,641,000)**
Fair value gains	**4,204,227**	**2,921,475**	**7,125,702**
At 31 December 2017	**46,304,000**	**9,972,000**	**56,276,000**

(a) As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: RMB nil).

12 Investment properties (continued)

(b) Valuation basis

An independent valuation of the Group's investment properties was performed by valuers to determine the fair value of the investment properties as at 31 December 2017 and 2016. The valuations were carried out by Jones Lang LaSalle Limited ("JLL"). The following table analyses the investment properties carried at fair value, by valuation method.

Description	Fair value measurements at 31 December 2017 using Significant unobservable inputs (Level 3) RMB'000
Investment properties:	
– Investment properties under construction	9,972,000
– Completed investment properties located in Beijing	24,662,000
– Completed investment properties located in Shanghai	21,642,000
	56,276,000

Valuation process of the Group

The Group's investment properties were valued at 31 December 2017 and 31 December 2016, by independent professionally qualified valuers, JLL, who hold recognized relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

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

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

12 Investment properties (continued)

(b) Valuation basis (continued)

Valuation techniques

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

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

There were no changes to the valuation techniques during the year.

Under direct comparison method, comparable properties are selected and adjusted for differences in key attributes such as but not limited to locational factor and property size. The most significant input into this valuation approach is price per square meter.

When using income capitalization approach, unobservable inputs will be used and taken into account. These unobservable inputs includes:

12 Investment properties (continued)

(b) Valuation basis (continued)

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2017 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction	9,972,000	Residual method	Price per square meter	Office: RMB50,284-RMB66,019 Retail: RMB50,284-RMB66,019	The higher the price per square, the higher the fair value
			Cost to completion (Per square meter)	RMB5,166-RMB7,086	The higher the cost to completion, the lower the fair value
			Developer's profit (Per square meter)	RMB5,645-RMB15,968	The higher the developer's profit, the lower the fair value
Completed investment properties located in Beijing	24,662,000	Direct comparison method making reference to Income capitalization approach	Capitalization rate	4.5%-4.9%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	RMB4.8-RMB16.1	The higher the rental per square meter, the higher the fair value
			Estimated price (Per square meter)	RMB41,484-RMB145,481	The higher the price per square, the higher the fair value
Completed investment properties located in Shanghai	21,642,000	Direct comparison method making reference to Income capitalization approach	Capitalization rate	4.5%-5.8%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	RMB3.8-RMB13.5	The higher the rental per square, the higher the fair value
			Estimated price (Per square meter)	RMB38,000-RMB97,000	The higher the price per square, the higher the fair value

(c) Certain investment properties of the Group were pledged against the bank borrowings, details are set out in Note 23.

13 Property and equipment

	Office premises RMB'000	Serviced apartment properties RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2016					
Cost	354,462	510,967	117,973	5,618	989,020
Accumulated depreciation	(37,416)	(50,988)	(52,867)	(4,058)	(145,329)
Net book amount	317,046	459,979	65,106	1,560	843,691
Year ended 31 December 2016					
Opening net book amount	317,046	459,979	65,106	1,560	843,691
Additions	–	–	6,518	–	6,518
Disposals	–	–	–	–	–
Depreciation charge	(9,354)	(26,628)	(17,357)	(931)	(54,270)
Closing net book amount	307,692	433,351	54,267	629	795,939
At 31 December 2016					
Cost	354,462	510,967	124,491	5,618	995,538
Accumulated depreciation	(46,770)	(77,616)	(70,224)	(4,989)	(199,599)
Net book amount	307,692	433,351	54,267	629	795,939
At 1 January 2017					
Cost	**354,462**	**510,967**	**124,491**	**5,618**	**995,538**
Accumulated depreciation	**(46,770)**	**(77,616)**	**(70,224)**	**(4,989)**	**(199,599)**
Net book amount	**307,692**	**433,351**	**54,267**	**629**	**795,939**
Year ended 31 December 2017					
Opening net book amount	**307,692**	**433,351**	**54,267**	**629**	**795,939**
Additions	**7,072**	**448,718**	**2,186**	**–**	**457,976**
Disposals	**–**	**–**	**(6,143)**	**–**	**(6,143)**
Depreciation charge	**(9,724)**	**(20,311)**	**(27,242)**	**(348)**	**(57,625)**
Written back on disposals	**–**	**–**	**4,183**	**–**	**4,183**
Closing net book amount	**305,040**	**861,758**	**27,251**	**281**	**1,194,330**
At 31 December 2017					
Cost	**361,534**	**959,685**	**120,534**	**5,618**	**1,447,371**
Accumulated depreciation	**(56,494)**	**(97,927)**	**(93,283)**	**(5,337)**	**(253,041)**
Net book amount	**305,040**	**861,758**	**27,251**	**281**	**1,194,330**

13 Property and equipment (continued)

(a) Revaluation of office premises

The Group's office premises were revalued by the management on an open market value basis by making reference to comparable sales transaction as available in the relevant market. The carrying amount of the office premises of the Group as at 31 December 2017 did not materially differ from their fair value.

The carrying amount of the office premises of the Group as at 31 December 2017 would have been RMB98,976,000(2016: RMB102,059,000) had they been carried at cost less accumulated depreciation.

The fair value of office premises is revalued according to the sale price of the similar unit within the same properties and appropriate sales price discount on different floor and direction of the similar properties, and is within level 3 of the fair value hierarchy.

(b) Depreciation expense of RMB nil (2016: RMB nil) has been charged in 'cost of sales', RMB71,000 (2016: RMB140,000) in 'selling expenses', and RMB57,554,000 (2016: RMB54,130,000) in 'administrative expenses'.

(c) No property and equipment was pledged as collateral under borrowing agreements at 31 December 2017 (2016: RMB nil).

(d) During the year of 2017, the Group has no capitalized borrowing costs on qualifying assets.

14 Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of Establishment/ incorporation and operation	Principal activities	Issued and paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect
Beijing Redstone Newtown Real Estate Co., Ltd. *	Beijing, the PRC	Development of the Commune by the Great Wall project and Operation of serviced apartment	USD 10,000,000	–	95%
Hainan Redstone Industry Co., Ltd. *	Hainan, the PRC	Development of Boao Canal Village project	RMB 20,000,000	–	98.1%
Beijing SOHO Real Estate Co., Ltd. *	Beijing, the PRC	Development of Sanlitun SOHO project	USD 99,000,000	–	95%
Beijing Millennium Real Properties Development Co., Ltd. ***	Beijing, the PRC	Development of Beijing Residency project	RMB 96,000,000	–	100%

14 Subsidiaries (continued)

Name of Company	Place of Establishment/ incorporation and operation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Indirect
Beijing Yeli Real Properties Development Co., Ltd. ***	Beijing, the PRC	Investment in Phase II of Guanghualu SOHO project	RMB 1,100,000,000	–	100%
Beijing Kaiheng Real Estate Co., Ltd*	Beijing, the PRC	Investment in and development of Chaoyangmen SOHO project and Galaxy SOHO project	USD 12,000,000	–	100%
Beijing Suo Tu Shi Ji Investment Management Co., Ltd. ***	Beijing, the PRC	Development of ZhongGuan Cun SOHO project and Danling SOHO	RMB 10,000,000	–	100%
Beijing Zhanpeng Century Investment Management Co.,Ltd. ***	Beijing, the PRC	Investment in Tiananmen (Qianmen) project	RMB 50,000,000	–	100%
SOHO Exchange Limited	Cayman Islands	Investment in and development of Exchange-SOHO project	USD 1,000	–	100%
Beijing Wangjing SOHO Real Estate Co., Ltd*	Beijing, the PRC	Investment in and development of Wangjing SOHO project	USD 99,000,000	–	100%
Beijing Bluewater Property Management Co., Ltd**	Beijing, the PRC	Development of SOHO Nexus Centre project	USD 120,000,000	–	100%
Beijing Fengshi Real Estate Development Co., Ltd***	Beijing, the PRC	Investment in Beijng Lize project	RMB 1,750,000,000	–	100%
Shanghai Ding Ding Real Development Co., Ltd. *	Shanghai, the PRC	Investment in Bund SOHO project	USD 135,000,000	–	61.506%

14 Subsidiaries (continued)

Name of Company	Place of Establishment/ incorporation and operation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Indirect
SOHO(Shanghai) Investment CO., Ltd. ***	Shanghai, the PRC	Investment in sky SOHO Project	RMB 1,500,000,000	–	100%
Shanghai Hong Tu Investment Management Co.,Ltd***	Shanghai, the PRC	Investment in SOHO Zhongshan Plaza Project	RMB 5,000,000	–	100%
Shanghai Hong Suo Investment Management Co.,Ltd***	Shanghai, the PRC	Investment in SOHO Zhongshan Plaza Project	RMB 5,000,000	–	100%
Shanghai Changyin Investment Management Co.,Ltd***	Shanghai, the PRC	Investment in SOHO Zhongshan Plaza Project	RMB 100,000	–	100%
Shanghai Changmai Investment Management Co.,Ltd***	Shanghai, the PRC	Investment in SOHO Zhongshan Plaza Project	RMB 100,000	–	100%
Shanghai Hong Sheng Real Estate Development Co., Ltd. ***	Shanghai, the PRC	Investment in SOHO Fuxing Plaza project	RMB 955,000,000	–	100%
Shanghai Greentown Plaza Development Co., Ltd. ***	Shanghai, the PRC	Investment in and development of SOHO Tianshan Plaza project and operation of serviced department	RMB 1,550,000,000	–	100%
Shanghai Changkun Real Estate development Co., Ltd. *	Shanghai, the PRC	Investment in Shanghai Gubei SOHO	RMB 3,190,000,000	–	100%

14 Subsidiaries (continued)

* *The company is registered as a sino-foreign equity joint venture enterprise in the PRC.*

** *The company is registered as a wholly owned foreign enterprise in the PRC.*

*** *The company is registered as a limited liability company in the PRC.*

The total amount of non-controlling interest is RMB1,022,945,000 (2016:RMB1,108,665,000) which is considered not material to the Group.

There are no difference between the voting rights and the proportionate interest.

15 Financial instruments by category

	2017 RMB'000	2016 RMB'000
Assets as per balance sheet		
At amortised cost		
Trade and other receivables excluding prepayments	760,358	764,959
Bank deposits	624,360	596,864
Cash and cash equivalents	3,701,791	3,864,045
	5,086,509	5,225,868

	2017 RMB'000	2016 RMB'000
Liabilities as per balance sheet		
At amortised cost		
Corporate bonds	2,994,283	2,989,123
Bank borrowings	18,039,553	12,446,801
Trade and other payables excluding tax payables	3,250,475	3,806,682
	24,284,311	19,242,606

16 Deferred income tax

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**630,599**	1,439,850
– to be recovered within 12 months	**49,813**	133,058
	680,412	1,572,908
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(7,445,890)**	(6,340,927)
– to be recovered within 12 months	**–**	–
	(7,445,890)	(6,340,927)
Deferred income tax liabilities, net	**(6,765,478)**	(4,768,019)

16 Deferred income tax (continued)

(b) The movement in deferred income tax assets and liabilities during the years ended 31 December 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax arising from	*Note*	Tax losses RMB'000	unpaid accrued cost and expenses RMB'000	Investment properties RMB'000	Office Revaluation RMB'000	Total RMB'000
At 1 January 2016		60,405	1,363,112	(5,923,106)	(63,176)	(4,562,765)
Credited/(charged) to income statement	*10(a)*	83,629	50,173	(339,056)	–	(205,254)
At 31 December 2016		144,034	1,413,285	(6,262,162)	(63,176)	(4,768,019)
At 1 January 2017		**144,034**	**1,413,285**	**(6,262,162)**	**(63,176)**	**(4,768,019)**
Credited/(charged) to income statement	*10(a)*	**(35,140)**	**(808,171)**	**(2,020,514)**	**–**	**(2,863,825)**
Transfer to disposal group classified as held for sale *(Note 22)*		**–**	**(13,689)**	**580,702**	**–**	**567,013**
Disposal of a subsidiary *(Note 29)*		**(35,495)**	**–**	**334,848**	**–**	**299,353**
At 31 December 2017		**73,399**	**591,425**	**(7,367,126)**	**(63,176)**	**(6,765,478)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred income tax assets in certain subsidiaries of RMB204,453,000 (2016: RMB107,881,000) in respect of losses amounting to RMB817,812,000 (2016: RMB431,524,000) that can be carried forward against future taxable income. As at 31 December 2017, RMB88,255,000, RMB80,974,000, RMB255,716,000, RMB97,011,000 and RMB295,856,000 of these tax losses will expire in 2018, 2019, 2020, 2021 and 2022, respectively.

16 Deferred income tax (continued)

(b) (continued)

As at 31 December 2017, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB40,806,244,000 (2016: RMB41,492,200,000). Deferred tax liabilities of RMB4,080,624,000 (2016: RMB4,149,220,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

17 Properties under development and completed properties held for sale

	2017 RMB'000	2016 RMB'000
Properties under development	**–**	436,329
Completed properties held for sale	**2,820,840**	3,790,514
	2,820,840	4,226,843

Properties under development are all located in the PRC.

18 Deposits and prepayments

Deposits and prepayments mainly represented amounts prepaid for acquisition of property development projects, construction fees and taxation expenses.

19 Trade and other receivables

	Note	**2017 RMB'000**	2016 RMB'000
Trade receivables	*(a)*	**145,469**	221,805
Other receivables		**675,033**	603,298
Less: allowance for doubtful debts	*(b)*	**(60,144)**	(60,144)
		760,358	764,959
Less: non-current portion		**(326,761)**	(286,701)
Current portion		**433,597**	478,258

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2017 and 2016.

19 Trade and other receivables (continued)

(a) Aging analysis

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

	2017 RMB'000	2016 RMB'000
Current	**81,476**	96,800
Less than 1 month past due	**11,631**	30,431
Into 6 months past due	**9,064**	9,131
6 months to 1 year past due	**396**	600
More than 1 year past due	**42,902**	84,843
Amounts past due	**63,993**	125,005
	145,469	221,805

The Group's credit policy is set out in Note 2.1(b).

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see Note 1(k)).

	2017 RMB'000	2016 RMB'000
At 1 January	**60,144**	61,644
Impairment loss reversed	**–**	(1,500)
At 31 December	**60,144**	60,144

At 31 December 2017, the Group's trade and other receivables of RMB60,144,000 (2016: RMB60,144,000) were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that no receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB60,144,000(2016: RMB60,144,000) were recognised. The Group does not hold any collateral over these balances.

19 Trade and other receivables (continued)

(c) Trade receivables that are not impaired

As of 31 December 2017, trade receivables of RMB31,992,000 (2016: RMB93,004,000) were past due but not impaired. These relate to a number of independent customers to whom the title deed of the property units have not been transferred. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The aging analysis of these trade receivables is as follows:

	2017 RMB'000	2016 RMB'000
Less than 1 month past due	**11,631**	13,431
Into 6 months past due	**9,064**	9,131
6 months to 1 year past due	**396**	600
More than 1 year past due	**10,901**	69,842
	31,992	93,004

20 Bank deposits

	Note	**2017 RMB'000**	2016 RMB'000
Bank deposits in non-current assets for:			
Guarantees for bank borrowings	*23(b)(i)*	**330,435**	296,000
Guarantees for construction fee payment	*(i)*	**33,731**	42,764
		364,166	338,764
Bank deposits in current assets for:			
Guarantees for mortgage loans	*(ii)*	**260,194**	258,100
		624,360	596,864

20 Bank deposits (continued)

The above bank deposits are restricted as follows:

(i) As at 31 December 2017, pursuant to a government regulation, the Group had deposits of RMB33,731,000 (2016: RMB42,764,000) as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank can draw down the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(ii) The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. As at 31 December 2017, the Group had deposits of RMB260,194,000(2016: RMB258,100,000) as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks or the related mortgage loans are repaid by buyers.

21 Cash and cash equivalents

	2017 **RMB'000**	2016 RMB'000
Cash on hand	**40**	390
Cash at bank	**1,406,593**	2,602,253
Term deposits with banks	**2,295,158**	1,261,402
Cash and cash equivalents in the balance sheet	**3,701,791**	3,864,045
Cash and cash equivalents in the consolidated cash flow statements	**3,701,791**	3,864,045

22 Disposal group

(a) The assets and liabilities related to Ever Prize Limited ("Ever Prize"), a company incorporated in Hong Kong with limited liability that holds the investment property Sky SOHO, have been presented as held for sale following the board of directors' approval of the decision on disposal. The transaction is targeted to be completed in the first half of 2018. Ever Prize's assets and liabilities are a disposal group. However, Ever Prize is not a discontinued operation at 31 December 2017, as it does not represent a major line of business.

(b) Ever Prize's assets and liabilities were remeasured at the lower of carrying amount and fair value less cost to sell at the date of held-for-sale classification.

(c) The major classes of assets and liabilities of Ever Prize in the disposal group are as follows:

	2017 RMB'000
Assets classified as held for sale:	
– Investment properties	4,641,000
– Deferred tax assets	13,689
– Deposits and prepayments	6,719
– Trade and other receivables	6,596
– Cash and cash equivalents	15,107
Total assets of the disposal group	4,683,111
Liabilities directly associated with assets classified as held for sale:	
– Bank borrowings	(1,980,000)
– Rental and sales deposits	(2,669)
– Trade and other payables	(275,862)
– Current income tax liabilities	(141,659)
– Deferred tax liabilities	(580,702)
Total liabilities of the disposal group	(2,980,892)
Total net assets of the disposal group	1,702,219

23 Bank borrowings

(a) The bank borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year or on demand	**3,140,391**	2,954,963
After 1 year but within 2 years	**942,971**	640,638
After 2 years but within 5 years	**2,931,077**	2,679,617
After 5 years	**11,025,114**	6,171,583
	14,899,162	9,491,838
	18,039,553	12,446,801

The Group's borrowings denominated in RMB, HKD and USD respectively are set out as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Denominated in:		
– RMB	**14,594,041**	11,429,402
– HKD	**1,935,202**	1,017,399
– USD	**1,510,310**	–
	18,039,553	12,446,801

The bank borrowings were secured as follows:

	2017 RMB'000	2016 RMB'000
Secured	**18,039,553**	12,446,801

23 Bank borrowings (continued)

(b) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain bank borrowings granted to the Group at 31 December:

(i) As at 31 December 2017, RMB15,448,226,000 (2016: RMB12,446,801,000) bank borrowings of the Group were secured by the following items:

	2017 **RMB'000**	2016 RMB'000
Investment properties	**41,534,000**	44,980,000
Bank deposits	**330,435**	296,000
	41,864,435	45,276,000

(ii) As at 31 December 2017, RMB2,591,327,000 bank borrowings (2016: RMB nil) of the Group were guaranteed by certain subsidiaries of the Company that are not incorporated in the PRC.

(c) The effective interest rates per annum on bank borrowings at amortised cost are as follows:

	2017 **%**	2016 %
Bank borrowings included in current liabilities	**2.03-5.15**	2.73-5.15
Bank borrowings included in non-current liabilities	**2.03-5.15**	2.73-5.15

(d) Bank borrowings of RMB3,445,512,000 (2016: RMB1,017,399,000) are subject to the fulfillment of covenants relating to certain targets of the Group's results of operation and financial position and the ratio of distribution to profit attributable to equity shareholders of the Company, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 2.1(c). As at 31 December 2017, none of the covenants relating to drawn down facilities had been breached.

(e) The carrying amount of bank borrowings are not materially different from their fair value as at 31 December 2017 and 2016. The fair value are based on cash flows discounted using a market rate and are within level 2 of the fair value hierarchy.

24 Rental and sales deposits

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

25 Trade and other payables

	Note	2017 RMB'000	2016 RMB'000
Accrued expenditure on construction	*(i)*	**1,338,438**	1,819,899
Consideration payable for acquisition of subsidiaries and joint ventures		**–**	100,000
Amounts due to related parties	*33(a)*	**835,064**	814,382
Rental deposits		**556,305**	547,128
Others		**520,668**	525,273
Financial liabilities measured at amortised costs		**3,250,475**	3,806,682
Other tax payable	*(ii)*	**103,270**	116,694
		3,353,745	3,923,376

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

(i) These accrued expenditure payables on construction are expected to be settled within a year.

The aging analysis of accrued expenditure on construction based on due date is as follows:

	2017 RMB'000	2016 RMB'000
Due within 1 month or on demand	**1,202,406**	1,763,007
Due after 1 month but within 3 months	**136,032**	56,892
	1,338,438	1,819,899

(ii) Other tax payable mainly comprised business tax payable, deed tax payable, urban real estate tax payable, stamp duty payable and withholding tax payable.

26 Corporate bonds

A wholly owned subsidiary of the Company, Beijing Wangjing SOHO Real Estate Co., Ltd., issued Corporate Bonds on 26 January 2016 in the aggregate amount of RMB3,000,000,000 at the coupon rate of 3.45% for a term of 3 years. The Corporate Bonds were listed on the Shanghai Stock Exchange and guaranteed by the Company.

27 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the current year

	2017 **RMB'000**	2016 RMB'000
Special dividend declared and paid of RMB0.346 per ordinary share (2016: RMB0.19 per ordinary share)	**1,799,035**	987,910
Special interim dividend declared and paid of RMB0.576 per ordinary share (2016: RMB nil per ordinary share)	**2,994,926**	–
Special dividend proposed after the balance sheet date of RMB nil per ordinary share (2016: RMB0.346 per ordinary share)	**–**	1,799,035
	4,793,961	2,786,945

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 **RMB'000**	2016 RMB'000
Special dividend in respect of the previous financial year, approved and paid during the year of RMB0.346 per ordinary share (2016: RMB0.348 per ordinary share)	**1,799,035**	1,809,434
	1,799,035	1,809,434

27 Capital, reserves and dividends (continued)

(b) Share capital and treasury shares

(i) Share capital

	2017		2016	
	No. of shares Share'000	Share capital RMB'000	No. of shares Share'000	Share capital RMB'000
Authorised:				
Ordinary shares of HKD0.02 each	**7,500,000**		7,500,000	
Issued and fully paid:				
At 1 January	**5,199,524**	**106,112**	5,199,524	106,112
At 31 December	**5,199,524**	**106,112**	5,199,524	106,112

During the year ended 31 December 2017, no option was exercised to subscribe for ordinary shares of the Company (2016:nil).

(ii) Treasury shares

	Note	2017		2016	
		No. of shares Share'000	Share capital RMB'000	No. of shares Share'000	Share capital RMB'000
At 1 January		**6,893**	**30,726**	7,122	32,338
Shares purchased for employees' share award scheme		**2,338**	**8,598**	1,131	3,636
Vesting of shares under employees' share award scheme	*28(b)*	**(1,226)**	**(4,741)**	(1,360)	(5,248)
At 31 December		**8,005**	**34,583**	6,893	30,726

27 Capital, reserves and dividends (continued)

(b) Share capital and treasury shares (continued)

(ii) Treasury shares (continued)

Details of treasury shares purchased during the year ended 31 December 2017 are as follows:

Month/year	Number of shares Repurchased Share	Average price paid per share HKD	Aggregate price paid HKD
March 2017	(1,500)	4.1200	(6,180)
June 2017	656,000	3.8479	2,524,222
October 2017	638,000	4.5483	2,901,815
December 2017	1,045,500	4.4678	4,671,085
	2,338,000		10,090,942

(iii) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	**2017 Number**	2016 Number
6 November 2013 to 5 November 2022	HKD5.53	**8,184,000**	8,184,000
		8,184,000	8,184,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 28.

(c) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

27 Capital, reserves and dividends (continued)

(c) Nature and purpose of reserves (continued)

(ii) Capital reserve

The capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and the Awarded Shares (see Note 28).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(t).

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for office premises in Note 1(h).

The revaluation reserve of the Company in respect of office premises is distributable to the extent of RMB nil (2016: RMB nil).

(v) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

28 Equity settled share-based transactions

(a) Employees' share option schemes

The Company has adopted a Pre-IPO share option scheme and an IPO share option scheme on 14 September 2007, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any Company in the Group, to take up options at HKD1 consideration to subscribe for shares of the Company. The options vest in a period of three to seven years from the date of grant and are exercisable within a period of six to ten years. Each option gives the holder the right to subscribe for one ordinary share of the Company.

(i) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting condition's	Contractual life of options
Options granted to directors:			
– on 8 October 2007	1,573,750	Three years from the date of grant	6 years
– on 30 January 2008	1,124,000	Three years from the date of grant	6 years
– on 30 June 2008	500,000	Three years from the date of grant	6 years
– on 6 November 2012	8,184,000	Seven years from the date of grant	10 years
Options granted to employees:			
– on 8 October 2007	10,484,250	Three years from the date of grant	6 years
– on 30 January 2008	6,135,000	Three years from the date of grant	6 years
– on 30 June 2008	580,000	Three years from the date of grant	6 years
Total share options	28,581,000		

28 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price HKD	**Number of options '000**	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the year	**5.53**	**8,184**	5.53	8,184
Outstanding at the end of the year	**5.53**	**8,184**	5.53	8,184
Exercisable at the end of the year	**5.53**	**4,092**	5.53	3,274

The options outstanding at 31 December 2017 had an exercise price of HKD5.53 (2016: HKD5.53).

28 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Model or Binomial Tree Pricing Method. The contractual life of the share option is used as an input into these models. Expectations of early exercise are incorporated into the Black-Scholes Model or Binomial Tree Pricing Method.

	Granted on 30 June 2008	Granted on 30 January 2008	Granted on 8 October 2007	Granted on 6 November 2012
Fair value at measurement date	HKD1.51	HKD2.24	HKD3.25	HKD1.79
Share price	HKD4.25	HKD6.10	HKD8.30	HKD5.53
Exercise price	HKD4.25	HKD6.10	HKD8.30	HKD5.53
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model or Binomial Tree Pricing Method)	49.36%	46.35%	45.91%	48.37%
Expected dividends	2.28%	0.52%	0.48%	5.56%
Risk-free interest rate (based on Exchange Fund Notes)	3.11%	1.98%	3.93%	0.65%

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

28 Equity settled share-based transactions (continued)

(b) Employees' share award scheme

Employees' share award scheme in which all employees (including without limitation any executive directors) of the Group would be entitled to participate was launched by the Group on 23 December 2010. The purpose of the employees' share award scheme is to give incentive to participants in order to retain them for the continued operation and development of the Group. Vested shares will be transferred at no cost to the selected employees. For employees who are granted the shares but cease employment with the Group before vesting, the unvested shares are forfeited.

The fair value of each share granted is based on the share price at grant date which could be obtained from the stock market directly. Shares are granted under a service condition. There is no market conditions associated with the shares awards.

Details of the shares awarded and vested during 2016 and 2017 are set out below:

Month of shares purchased	Number of shares purchased	Consideration of shares purchased HKD'000	Month of award	Number of shares awarded	Number of awarded shares vested	Average fair value vested per share HKD	Vesting period	Remaining vesting period
September 2009	735,000	3,313	March 2011	735,000	–	5.97	9 March 2012 – 9 March 2014	–
September 2009	1,299,500	5,857	January 2012	1,299,500	–	5.24	13 January 2013 – 13 January 2015	–
September 2009	175,500	791	November 2012	175,500	–	5.61	7 November 2013 – 7 November 2019	–
September 2011	232,000	1,157	November 2012	232,000	–	5.61	7 November 2013 – 7 November 2019	–
October 2011	3,113,000	15,194	November 2012	3,113,000	(1,535,019)	5.61	7 November 2013 – 7 November 2019	1.85 year
November 2011	1,038,000	5,188	November 2012	1,038,000	–	5.61	7 November 2013 – 7 November 2019	1.85 year
June 2012	155,500	838	November 2012	155,500	–	5.61	7 November 2013 – 7 November 2019	1.85 year
October 2012	188,000	945	November 2012	188,000	–	5.61	7 November 2013 – 7 November 2019	1.85 year
November 2012	264,700	1,498	November 2012	264,700	–	5.61	7 November 2013 – 7 November 2019	1.85 year
November 2012	3,270,300	18,503	March 2013	1,428,500	(260,826)	6.08	6 March 2013 – 6 March 2016	–
June 2013	230,500	1,536	April 2014	1,281,500	(790,370)	6.55	4 April 2014 – 4 April 2017	–
June 2014	222,000	1,359						
October 2014	216,500	1,284						
June 2015	211,500	1,115						
December 2015	855,000	2,977						
June 2016	752,500	2,670						
October 2016	378,500	1,582						
June 2017	656,000	2,524						
October 2017	638,000	2,902						
December 2017	1,045,500	4,671						
Total	15,677,500	75,904		9,911,200	(2,586,215)			

28 Equity settled share-based transactions (continued)

(b) Employees' share award scheme (continued)

Movements in the number of shares awarded and dividend shares were as follows:

	2017 Number of awarded shares and dividend shares	2016 Number of awarded shares and dividend shares
Outstanding at 1 January	**5,198,970**	5,150,481
Vested	**(804,080)**	(987,599)
Dividend shares		
– allocated to awardees	**957,398**	1,443,331
– vested	**(421,982)**	(372,554)
Unvested shares forfeited	**–**	(34,689)
Outstanding at 31 December	**4,930,306**	5,198,970

29 Disposal of a subsidiary

For the year ended 31 December 2017, the Group disposed of its equity interests in the following company:

Company name	Disposal date	Percentage of equity interests disposed Directly held	Percentage of equity interests disposed Indirectly held	Proceeds RMB'000
Ever Jump Investment Limited	28/07/2017	–	100%	2,694,430

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

	As at disposal date RMB'000
Proceeds on disposal of the subsidiary	2,694,430
Carrying value of the subsidiary disposed – shown as below	(2,324,471)
Gains on disposal of the subsidiary	369,959

29 Disposal of a subsidiary (continued)

Proceeds on disposal of the subsidiary are as follows:

	Carrying value RMB'000
Proceeds received in cash in 2017	2,694,430

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

	Carrying value RMB'000
Cash and cash equivalents	128,633
Trade and other receivables	25,432
Deposits and prepayments	7,019
Investment property	3,446,000
Deferred tax asset	35,495
Trade and other payables	(114,858)
Rental and sales deposits	(15,956)
Current income tax liabilities	(2,446)
Band borrowings	(850,000)
Deferred tax liability	(334,848)
Net assets of the subsidiary	2,324,471
Inflow of cash related to the disposal of the subsidiary, net of cash disposed	
Proceeds received in cash during the year ended 31 December 2017	2,694,430
Cash and cash equivalents in the subsidiary disposed of	(128,633)
Cash inflow on disposal during the year ended 31 December 2017	2,565,797

29 Disposal of a subsidiary (continued)

The effect of the disposal on consolidated income statement is as follows:

	2017/01/01-27/07/2017 RMB'000
Turnover	70,925
Cost of sales	(16,571)
Gross profit	54,354
Other revenue and income	2,050
Selling expenses	(13)
Administrative expenses	(992)
Other operating expenses	(14)
Profit from operation	55,385
Financial income	127
Financial expenses	(37,436)
Profit before income tax	18,076
Income tax expense	(4,150)
Profit for the period	13,926
Attributable to:	
Owners of the Company	13,926

30 Net debt reconciliation

The following is an analysis of net debt and the movements in net debt for each of the periods presented.

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents *(Note 21)*	**3,701,791**	3,864,045
Borrowings-repayable within one year *(Note 23)*	**(3,140,391)**	(2,954,963)
Borrowings-repayable after one year *(Note 23)*	**(14,899,162)**	(9,491,838)
Net debt	**(14,337,762)**	(8,582,756)

	Other assets	Liabilities from financing activities		
	Cash	Borrowing due within 1 year	Borrowing due after 1 year	Total
Net debt at 31 December 2016	3,864,045	(2,954,963)	(9,491,838)	(8,582,756)
Cash flows	29,549	(1,035,428)	(7,453,973)	(8,450,262)
Decrease due to disposal of a subsidiary	(128,633)	850,000	–	721,367
Transfer to disposal group	(15,107)	–	1,980,000	1,964,893
Foreign exchange adjustments	(48,063)	–	66,649	18,586
Net debt at 31 December 2017	3,701,791	(3,140,391)	(14,899,162)	(14,328,172)

31 Balance sheet and equity movement of the Company

(a) Balance sheet of the Company

		As at 31 December	
	Note	**2017 RMB'000**	2016 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**327,213**	294,748
		327,213	294,748
Current assets			
Amounts due from subsidiaries		**19,404,713**	18,405,542
Trade and other receivables		**2,793**	–
Cash and cash equivalents		**434,768**	187,289
		19,842,274	18,592,831
Total assets		**20,169,487**	18,887,579
Equity and liabilities			
Equity			
Share capital	*31 (b)*	**106,112**	106,112
Reserves	*31 (b)*	**(1,401,480)**	(2,334,401)
Total equity		**(1,295,368)**	(2,228,289)

31 Balance sheet and equity movement of the Company (continued)

(a) Balance sheet of the Company (continued)

		As at 31 December	
	Note	**2017** **RMB'000**	2016 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings		**709,452**	913,570
		709,452	913,570
Current liabilities			
Bank borrowings		**2,736,060**	103,829
Other payables		**59,779**	56,907
Amounts due to subsidiaries		**17,959,564**	20,041,562
		20,755,403	20,202,298
Total liabilities		**21,464,855**	21,115,868
Total equity and liabilities		**20,169,487**	18,887,579

The balance sheet of the Company was approved by the Board of Directors on 20 March 2018 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

31 Balance sheet and equity movement of the Company (continued)

(b) Share capital and reserve movement of the Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated loss) RMB'000	Total RMB'000
At 1 January 2016		106,112	5,193,385	9,661	46,487	(2,110,716)	(2,893,682)	351,247
Profits for the year		–	–	–	–	–	345,839	345,839
Other comprehensive income		–	–	–	–	(132,788)	–	(132,788)
Total comprehensive income		–	–	–	–	(132,788)	345,839	213,051
Dividends approved in respect of the previous year	*27(a)*	–	(1,809,434)	–	–	–	–	(1,809,434)
Dividends declared in respect of the current year	*27(a)*	–	(987,910)	–	–	–	–	(987,910)
Employees' share award scheme	*28(b)*	–	–	–	3,743	–	–	3,743
Employees' share option schemes	*28(a)*	–	–	–	1,297	–	–	1,297
Vesting of shares under employees' share award scheme	*28(b)*		3,121	–	(8,369)	–	–	(5,248)
Hedging		–	–	–	4,965	–	–	4,965
At 31 December 2016		106,112	2,399,162	9,661	48,123	(2,243,504)	(2,547,843)	(2,228,289)

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated loss) RMB'000	Total RMB'000
At 1 January 2017		106,112	2,399,162	9,661	48,123	(2,243,504)	(2,547,843)	(2,228,289)
Profits for the year		-	-	-	-	-	7,463,837	7,463,837
Other comprehensive income		-	-	-	-	62,820	-	62,820
Total comprehensive income		-	-	-	-	62,820	7,463,837	7,526,657
Dividends approved in respect of the previous year	*27(a)*	-	(1,799,035)	-	-	-	-	(1,799,035)
Dividends declared in respect of the current year	*27(a)*	-	(600,127)	-	-	-	(4,193,834)	(4,793,961)
Employees' share award scheme	*28(b)*	-	-	-	2,729	-	-	2,729
Employees' share option schemes	*28(a)*	-	-	-	1,273	-	-	1,273
Vesting of shares under employees' share award scheme	*28(b)*	-	1,234	-	(5,976)	-	-	(4,742)
At 31 December 2017		106,112	1,234	9,661	46,149	(2,180,684)	722,160	(1,295,368)

32 Commitments and contingent liabilities

(a) Commitments

(i) Commitments in respect of properties under development, investment properties and purchase of properties outstanding at 31 December not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Contracted for	**1,857,069**	1,222,474
Authorized but not contracted for	**804,138**	2,552,150
	2,661,207	3,774,624

(b) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most 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. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was RMB1,426,885,000 as at 31 December 2017 (2016: RMB2,285,779,000).

(c) Investment properties and properties held for sale

The Group leases out investment properties and certain properties held for sale under operating leases. The leases typically run for an initial period of 1 to 8 years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease revenue under non-cancellable operating leases are receivable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**1,359,860**	1,555,475
After 1 year but within 5 years	**2,051,891**	2,696,864
After 5 years	**201,001**	250,065
	3,612,752	4,502,404

32 Commitments and contingent liabilities (continued)

(d) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Directors believe that any resulting liabilities will not have a material adverse effect on the financial position, liquidity, or operating results of the Group.

33 Material related party transactions

(a) Amounts due to related parties and corresponding transactions

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

	Note	**2017** **RMB'000**	2016 RMB'000
China Fortune Properties	*(i)*	**355,622**	345,281
Shanghai Rural Commercial Bank	*(i)*	**355,622**	345,281
Wang Rensheng	*(i)*	**123,820**	123,820
		835,064	814,382

(i) The balances as at 31 December 2017 mainly represented the advances of RMB835,064,000 (2016: RMB814,382,000) from China Fortune Properties (Group) Co., Ltd. ("China Fortune Properties"), Shanghai Rural Commercial Bank and Wang Rensheng, 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.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 34 and certain of the highest paid employees as disclosed in Note 6(a) is as follows:

	2017 **RMB'000**	2016 RMB'000
Short-term employee benefits	**16,084**	18,208
Post-employment benefits	**153**	196
Share-based payments	**4,002**	5,040
	20,239	23,444

(c) None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

34 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2017:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing Allowance RMB'000	Estimated money value of benefit RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman							
Pan Shiyi	240	1,350	750	32	107	51	2,530
Executive directors							
Pan Zhang Xin Marita	240	1,200	600	–	169	–	2,209
Yan Yan	240	2,772	1,376	32	138	51	4,609
Tong Ching Mau	240	2,262	1,157	–	71	–	3,730
Independent non-executive directors							
Cha Mou Zing, Victor	291	–	–	–	–	–	291
Xiong Ming Hua	291	–	–	–	–	–	291
Sun Qiang Chang	291	–	–	–	–	–	291
Total	1,833	7,584	3,883	64	485	102	13,951

34 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2016:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing Allowance RMB'000	Estimated money value of benefit RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman							
Pan Shiyi	240	960	1,520	29	147	49	2,945
Executive directors							
Pan Zhang Xin Marita	180	282	1,162	–	116	–	1,740
Yan Yan	240	2,237	1,820	29	137	49	4,512
Tong Ching Mau*	149	1,160	1,003	–	71	–	2,383
Independent non-executive directors							
Cha Mou Zing, Victor	287	–	–	–	–	–	287
Xiong Ming Hua	287	–	–	–	–	–	287
Sun Qiang Chang	287	–	–	–	–	–	287
Total	1,670	4,639	5,505	58	471	98	12,441

Notes:

* *Tong Ching Mau was appointed in May 2016*

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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