SOHO CHINA LIMITED
SOHO 中國有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 410)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

- Achieved turnover of approximately RMB1,963 million, representing an increase of approximately 24% year over year; and achieved rental income of approximately RMB1,669 million, representing an increase of approximately 11% year over year.

- Gross profit margin of property leasing was approximately 80.5%, compared with approximately 79.7% in 2016.

- Achieved net profit attributable to equity shareholders of the Company of approximately RMB4,733 million, representing an increase of approximately 420% year over year, due to higher valuation gains on investment properties in 2017.

- At the end of 2017, the average occupancy for the Group's stabilized investment properties was approximately 97%.

- SOHO 3Q, the Group's co-working business, started to expand rapidly to other cities than Beijing and Shanghai after two years of development. As at the date of this announcement, the Group has owned 26 SOHO 3Q centers, with approximately 26,000 seats in Beijing, Shanghai, Hangzhou, Shenzhen and Nanjing.

- On 24 June 2017 and 17 October 2017, the Group entered into the agreements to dispose of its entire ownership interests in Hongkou SOHO and Sky SOHO respectively. The agreed asset prices were RMB3,573 million and RMB5,008 million, which were approximately 3.7% and 7.9% higher than project's revalued book value as at the time of disposal, respectively. The disposal of Hongkou SOHO had been completed on 27 July 2017.

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”), 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 (the “Listing Rules”) Governing the Listing of Securities 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 and approved by the Board on 20 March 2018.

During the Year, the Group achieved turnover of approximately RMB1,963 million, representing an increase of approximately 24% year over year. The gross profit margin of property leasing of the Group 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 gains on investment properties in 2017.

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 the 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.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Turnover	3	**1,962,610**	1,577,215
Cost of sales	4	**(509,431)**	(334,717)
Gross profit		**1,453,179**	1,242,498
Valuation gains on investment properties		**7,125,702**	1,270,367
Other gains – net	5	**383,308**	501,348
Other revenue and income		**491,062**	385,007
Selling expenses	4	**(72,043)**	(62,037)
Administrative expenses	4	**(298,850)**	(264,506)
Other operating expenses	4	**(267,599)**	(369,248)
Operating profit		**8,814,759**	2,703,429
Finance income	6	**95,088**	121,195
Finance expenses	6	**(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	7	**(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)	8		
Basic earnings per share		**0.912**	0.175
Diluted earnings per share		**0.912**	0.175

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2017** *RMB'000*	2016 *RMB'000*
Assets			
Non-current assets			
Investment properties		**56,276,000**	55,087,000
Property and equipment		**1,194,330**	795,939
Bank deposits		**364,166**	338,764
Intangible assets		**4,780**	6,393
Interest in joint ventures		**–**	6,277
Deferred income tax assets		**680,412**	1,572,908
Trade and other receivables	*9*	**326,761**	286,701
Deposits and prepayments		**169,133**	169,133
		59,015,582	58,263,115
Current assets			
Properties under development and completed properties held for sale		**2,820,840**	4,226,843
Deposits and prepayments		**302,427**	315,484
Trade and other receivables	*9*	**433,597**	478,258
Bank deposits		**260,194**	258,100
Cash and cash equivalents		**3,701,791**	3,864,045
Assets of disposal group classified as held for sale		**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	*11*		
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

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Liabilities			
Non-current liabilities			
Bank borrowings		**14,899,162**	9,491,838
Corporate bonds		**2,994,283**	2,989,123
Contract retention payables		**139,159**	123,173
Deferred income tax liabilities		**7,445,890**	6,340,927
		25,478,494	18,945,061
Current liabilities			
Bank borrowings		**3,140,391**	2,954,963
Rental and sales deposits		**520,054**	302,948
Trade and other payables	*10*	**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		**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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:

– investment properties;

– office premises.

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.

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.

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.

2 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.

(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.

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.

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 by group

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.

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.

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 by group

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.

3 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.

(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.

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	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*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/(recognized) 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)**	(1,000,066)	**(2,816,250)**	(1,044,223)
Reportable segment profit/(loss)	**77,069**	(142,068)	**4,197,498**	1,483,204	**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

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

	2017	2016
	RMB'000	*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

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.

4 EXPENSE BY NATURE

	2017	2016
	RMB'000	*RMB'000*
Business tax and other levies	**318,182**	303,385
Employee benefits expense	**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

5 OTHER GAINS – NET

	Note	**2017**	2016
		RMB'000	*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'.

6 FINANCIAL INCOME AND FINANCIAL EXPENSES

	2017 RMB'000	2016 RMB'000
Financial income		
Interest income	**95,088**	121,195
	95,088	121,195
Financial expenses		
Interest on bank borrowings	**776,351**	836,908
Interest expenses on the Senior Notes	**–**	260,616
Interest expenses on the Corporate Bonds	**108,660**	101,041
Less: Interest expense capitalised 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 %).

7 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.

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

	2017	2016
	RMB'000	*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

8 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

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

(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	2016
	RMB'000	*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

9 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		**(60,144)**	(60,144)
		760,358	764,959
Less: non-current portion		**(326,761)**	(286,701)
Current portion		**433,597**	478,258

(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

10 TRADE AND OTHER PAYABLES

	Note	**2017** ***RMB'000***	2016 *RMB'000*
Accrued expenditure on land and construction	*(i)*	**1,338,438**	1,819,899
Consideration payable for acquisition of subsidiaries and joint ventures		**–**	100,000
Amounts due to related parties		**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

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

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

	2017	2016
	RMB'000	*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.

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2017	2016
	RMB'000	*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	2016
	RMB'000	*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

(b) Share capital and treasury shares

(i) Share capital

	2017		2016	
	No. of shares	**Share capital**	No. of shares	Share capital
	Share '000	***RMB'000***	*Share '000*	*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

	2017		2016	
	No. of shares	**Share capital**	No. of shares	Share capital
	Share '000	***RMB'000***	*Share '000*	*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	**(1,226)**	**(4,741)**	(1,360)	(5,248)
At 31 December	**8,005**	**34,583**	6,893	30,726

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.

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 rates 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, is recording 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 87%. Huge market demand further consolidates 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 announcement, the Group has 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 project – 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.

Major Projects in Beijing

Wangjing SOHO

Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing, consisting of a total GFA of approximately 510,000 sq.m.. 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.

Guanghualu SOHO II

Guanghualu SOHO II is located at the heart of the central business district in Beijing, close to subway lines 1 and 10. The total GFA of the project is approximately 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

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

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.

Major Projects in Shanghai

SOHO Fuxing Plaza

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.

Bund SOHO

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

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

SOHO Tianshan Plaza

SOHO Tianshan Plaza is located at a prime location in the Hongqiao Foreign Trade Center in Changning District in Shanghai. The Hongqiao Foreign Trade Center area is Shanghai's first central business district for foreign enterprises and a gathering place for Changning's office, 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.

Sky SOHO

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.

Gubei project

The land for the Gubei project is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District, only 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 project 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 is targeted to be completed in the first half of 2018.

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 was approximately RMB72 million, representing an increase of approximately 16% as compared with approximately RMB62 million in 2016, due to more properties sold during the Year.

Administrative expenses for 2017 was 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.

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 fluctuation and interest rate

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 rate.

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 were 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 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.

OTHER INFORMATION

Principal activities

The principal activities of the Group are 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 announcement. There were no significant changes in the nature of the Group's principal activities during the Year.

Dividends

On 22 August 2017, the Board recommended the declaration and payment of a special dividend of RMB0.346 per Share to the Shareholders, 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. The above dividends had been paid to the 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 (2016: nil).

Closure of register of members

The register of members of the Company will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018 (both days inclusive), during which period no transfer of Shares will be registered. To be eligible for attending and voting at the forthcoming annual general meeting to be held on Tuesday, 29 May 2018, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 23 May 2018.

Share capital

As at 31 December 2017, the Company had 5,199,524,031 Shares in issue (31 December 2016: 5,199,524,031 Shares).

Purchase, sale or redemption of listed securities of the Company

During the Year, 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 HK$10,133,444 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 Year.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company has made specific enquiry to all Directors and all Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

Compliance with the Corporate Governance Code

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

Audit committee

The audit committee of the Company had reviewed 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.

Publication of results announcement

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

By order of the Board
SOHO China Limited
Pan Shiyi
Chairman

Hong Kong, 20 March 2018

As at the date of this announcement, the executive Directors are Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita and Ms. Tong Ching Mau; and the independent non-executive Directors are Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua.

* *For identification purposes only*