**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 2018

- Achieved turnover of approximately RMB1,721 million during the Year. Rental income during the Year was approximately RMB1,735 million. Rental income from the Group's retained properties in the Year increased by approximately 18% from 2017.

- Valuation gains on investment properties for 2018 were approximately RMB1,093 million, compared with approximately RMB7,126 million in 2017. During 2017, the Group undertook a comprehensive revaluation of its investment properties which produced a very significant valuation gain, reflecting the reduction in capitalisation rates and the significant increase in rental rates since the previous valuation. The valuation gains in 2018 reflected more modest changes in real estate markets.

- Including valuation gains, net profit after tax attributable to the equity shareholders of the Company for the Year was approximately RMB1,925 million, compared to approximately RMB4,733 million in 2017.

- As at 31 December 2018, the average occupancy of the Group's investment properties was approximately 96%.

- As at 31 December 2018, the Group's net gearing ratio was approximately 43%. Average cost of debt financing was approximately 4.6%. Offshore borrowings only accounted for approximately 3.5% of the total debt.

- SOHO 3Q has expanded to cities outside Beijing and Shanghai and to third party properties, and owns over 30,000 seats in 31 centers in 7 cities in the PRC.

- The Board recommended a final dividend of RMB0.03 per Share.

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 2018 (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 2018 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 29 March 2019.

During the Year, the Group achieved turnover of approximately RMB1,721 million. Rental income during the Year was approximately RMB1,735 million, representing an approximately 4% increase year over year compared with approximately RMB1,669 million in 2017. Adjusted for the effect of the disposals of Hongkou SOHO and Sky SOHO in 2017 and 2018 respectively, rental income from the Group's retained properties in the Year increased by approximately 18% from 2017.

The Board recommended a declaration of a final dividend of RMB0.03 per share for the year ended 31 December 2018 (2017: nil).

## CONSOLIDATED INCOME STATEMENT

| | | Year ended 31 December | |
|---|---|---|---|
| | *Notes* | **2018** | 2017 |
| | | ***RMB'000*** | *RMB'000* |
| Turnover | *3* | **1,720,860** | 1,962,610 |
| Cost of sales | *4* | **(435,497)** | (509,431) |
| **Gross profit** | | **1,285,363** | 1,453,179 |
| Valuation gains on investment properties | | **1,092,853** | 7,125,702 |
| Other gains – net | *5* | **987,816** | 383,308 |
| Other revenue and income | | **644,932** | 491,062 |
| Selling expenses | *4* | **(37,472)** | (72,043) |
| Administrative expenses | *4* | **(240,069)** | (298,850) |
| Other operating expenses | *4* | **(305,315)** | (267,599) |
| **Operating profit** | | **3,428,108** | 8,814,759 |
| Finance income | *6* | **121,276** | 95,088 |
| Finance expenses | *6* | **(591,962)** | (584,203) |
| **Profit before income tax** | | **2,957,422** | 8,325,644 |
| Income tax expense | *7* | **(1,008,774)** | (3,534,103) |
| **Profit for the year** | | **1,948,648** | 4,791,541 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **1,924,966** | 4,733,481 |
| Non-controlling interests | | **23,682** | 58,060 |
| **Profit for the year** | | **1,948,648** | 4,791,541 |
| **Earnings per share (expressed in RMB per share)** | | | |
| Basic earnings per share | *8* | **0.371** | 0.912 |
| Diluted earnings per share | *8* | **0.371** | 0.912 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| **Profit for the year** | **1,948,648** | 4,791,541 |
| **Other comprehensive income:** | | |
| *Items that may be reclassified to profit or loss* | | |
| Currency translation differences | **114,086** | 20,715 |
| *Items that will not be reclassified to profit or loss* | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | **(209)** | – |
| **Other comprehensive income for the year** | **113,877** | 20,715 |
| **Total comprehensive income for the year** | **2,062,525** | 4,812,256 |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | **2,038,843** | 4,754,196 |
| Non-controlling interests | **23,682** | 58,060 |
| **Total comprehensive income for the year** | **2,062,525** | 4,812,256 |

## CONSOLIDATED BALANCE SHEET

| | Notes | As at 31 December 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment properties | | **58,338,000** | 56,276,000 |
| Property and equipment | | **1,404,440** | 1,194,330 |
| Intangible assets | | **4,067** | 4,780 |
| Deferred income tax assets | | **603,951** | 680,412 |
| Trade and other receivables | *9* | **361,661** | 326,761 |
| Deposits and prepayments | | **169,133** | 169,133 |
| Bank deposits | | **130,051** | 364,166 |
| Financial assets at fair value through other comprehensive income | | **16,175** | – |
| | | **61,027,478** | 59,015,582 |
| **Current assets** | | | |
| Completed properties held for sale | | **2,728,240** | 2,820,840 |
| Deposits and prepayments | | **365,671** | 302,427 |
| Trade and other receivables | *9* | **411,500** | 433,597 |
| Bank deposits and structured bank deposits | | **4,844,232** | 260,194 |
| Cash and cash equivalents | | **721,924** | 3,701,791 |
| Assets of disposal group classified as held for sale | | **–** | 4,683,111 |
| | | **9,071,567** | 12,201,960 |
| **Total assets** | | **70,099,045** | 71,217,542 |
| **Equity and liabilities** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **106,112** | 106,112 |
| Other reserves | | **34,640,698** | 32,598,240 |
| | | **34,746,810** | 32,704,352 |
| **Non-controlling interests** | | **1,046,627** | 1,022,945 |
| **Total equity** | | **35,793,437** | 33,727,297 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)

| | | As at 31 December | |
|---|---|---|---|
| | *Notes* | **2018** | 2017 |
| | | ***RMB'000*** | *RMB'000* |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Bank and other borrowings | | **16,730,195** | 14,899,162 |
| Corporate bonds | | **–** | 2,994,283 |
| Contract retention payables | | **518,644** | 139,159 |
| Deferred income tax liabilities | | **8,062,255** | 7,445,890 |
| | | **25,311,094** | 25,478,494 |
| **Current liabilities** | | | |
| Bank and other borrowings | | **964,189** | 3,140,391 |
| Corporate bonds | | **2,999,632** | - |
| Receipts in advance from customers and sale deposits | | **98,528** | 520,054 |
| Contract liabilities | | **108,729** | - |
| Trade and other payables | *10* | **2,972,596** | 3,353,745 |
| Current income tax liabilities | | **1,850,840** | 2,016,669 |
| Liabilities of disposal group classified as held for sale | | **–** | 2,980,892 |
| | | **8,994,514** | 12,011,751 |
| **Total liabilities** | | **34,305,608** | 37,490,245 |
| **Total equity and liabilities** | | **70,099,045** | 71,217,542 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) and requirements of Hong Kong Companies Ordinance Cap.622.

The functional currency of the Company is Hong Kong dollars ("HKD"). The consolidated financial statements are presented in 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;

– Financial assets at fair value through other comprehensive income;

– Structured bank deposits measured at fair value through profit or loss.

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.

## 2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**New and amended standards effective on 1 January 2018 and adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments;
- HKFRS 15 Revenue from Contracts with Customers;
- Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2;
- Annual Improvements to HKFRS Standards 2014-2016 Cycle;
- Transfers of Investment Property – Amendments to HKAS 40; and
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

Except for HKFRS 9 and HKFRS 15, which have been disclosed in Note 2(a) and Note 2(b), the adoption of these amendments did not have any material impact on the current period or any prior period and is not expected to significantly affect future periods.

**New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 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 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 by lessees, 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 Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's rentals from third parties as lessee.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,447,771,000.

For the lease commitments, the Group expects to recognise the discounted amount of lease commitments as right-of-use assets and lease liabilities (after adjustments for prepayments and accrued lease payments recognised if any) and recognise related deferred tax assets on 1 January 2019 in the consolidated balance sheet, initially measured at the present value of unavoidable future lease payments. The Group also expects to recognise depreciation of lease assets and interest on lease liabilities in the consolidated income statement over the lease term, and the total amount of cash paid into a principal portion will be presented within financing activities in the cash flow statement.

The newly recognised lease asset – the right-of-use asset – is a non-current non-financial asset, and the lease liability is part of current and non-current financial liabilities, depending on the timing of lease payments.

Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

*Date of adoption*

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

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.

As explained in above, the Group has applied HKFRS 9 and HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies.

**(a) HKFRS 9 Financial instruments**

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures.

Management of the Group has assessed the business models and the contractual terms of the cash flows apply to the financial assets and financial liabilities held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and there is no significant impact on the classification and measurement of financial instruments in the consolidated financial statement of the Group.

In the prior year, the impairment of trade receivables and other financial assets measured at amortised cost was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

– 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.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

**(b) HKFRS 15 Revenue from contracts with customers**

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS 18") and HKAS 11 Construction contracts ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules modified retrospectively, has recognised the cumulative impact of the adoption in retained earnings or other reserves as of 1 January 2018 and has not restated comparatives for the 2017 financial year.

Management has reassessed its business model and contract terms to assess the effects of applying the new standard and besides the below reclassification effect, there is no material impact on the financial statements of the Group.

*(i) Presentation of contract liabilities*

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as receipts in advance from customers and sale deposits.

| | **HKAS 18 Carrying amount 31 December 2017** | **Reclassifications** | **HKFRS 15 Carrying amount 1 January 2018** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Consolidated balance sheet (extract)** | | | |
| Receipts in advance from customers and sale deposits | 520,054 | (108,729) | 411,325 |
| Contract liabilities | – | 108,729 | 108,729 |

## 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 operations. In a manner consistent with the way in which information is reported internally to the Group' senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

#### *(i) Properties development*

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

#### *(ii) Properties investment*

This segment mainly includes investment 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 amortisation, finance income, finance expenses, income tax expense, investment properties, completed properties held for sale, cash and cash equivalents, bank deposits and structured bank deposits, bank and other borrowings, segment assets, segment liabilities and additions to investment properties and property and equipment.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

| | Properties development | | Properties investment | | Total | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Income statement items** | | | | | | |
| Reportable segment turnover | **68,499** | 293,334 | **1,652,361** | 1,669,276 | **1,720,860** | 1,962,610 |
| Cost of properties sold/cost of rental business | **(11,733)** | (183,692) | **(423,764)** | (325,739) | **(435,497)** | (509,431) |
| Reportable segment gross profit | **56,766** | 109,642 | **1,228,597** | 1,343,537 | **1,285,363** | 1,453,179 |
| Valuation gains on investment properties | **–** | – | **1,092,853** | 7,125,702 | **1,092,853** | 7,125,702 |
| Operating (expenses)/income, net | **(19,693)** | (2,451) | **311,658** | 187,232 | **291,965** | 184,781 |
| Depreciation and amortisation | **(43,895)** | (45,104) | **(52,499)** | (13,199) | **(96,394)** | (58,303) |
| Finance income | **101,068** | 58,443 | **8,634** | 17,854 | **109,702** | 76,297 |
| Finance expenses | **(6,293)** | (17,094) | **(523,996)** | (604,915) | **(530,289)** | (622,009) |
| Reportable segment profit before taxation | **114,027** | 109,065 | **2,881,086** | 6,981,752 | **2,995,113** | 7,090,817 |
| Income tax credit/(expense) | **28,296** | (31,996) | **(1,016,319)** | (2,784,254) | **(988,023)** | (2,816,250) |
| Reportable segment profit | **142,323** | 77,069 | **1,864,767** | 4,197,498 | **2,007,090** | 4,274,567 |
| **Balance sheet items** | | | | | | |
| Investment properties | **–** | – | **58,338,000** | 56,276,000 | **58,338,000** | 56,276,000 |
| Completed properties held for sale | **2,728,240** | 2,820,840 | **–** | – | **2,728,240** | 2,820,840 |
| Cash and cash equivalents | **131,811** | 1,583,767 | **433,738** | 1,305,018 | **565,549** | 2,888,785 |
| Bank deposits and structured bank deposits | **2,604,163** | 588,573 | **2,218,150** | 35,787 | **4,822,313** | 624,360 |
| Bank and other borrowings | **–** | – | **16,971,673** | 14,594,040 | **16,971,673** | 14,594,040 |
| Reportable segment assets | **15,829,117** | 16,308,620 | **82,460,449** | 79,123,543 | **98,289,566** | 95,432,163 |
| Reportable segment liabilities | **11,989,049** | 12,145,733 | **30,395,558** | 25,691,314 | **42,384,607** | 37,837,047 |
| Additions to investment properties and property and equipment | **3,326** | 448,718 | **2,381,495** | 9,403,827 | **2,384,821** | 9,852,545 |

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

| | 2018 *RMB'000* | 2017 *RMB'000* |
|---|---|---|
| **Profit** | | |
| Reportable segment profit | **2,007,090** | 4,274,567 |
| Unallocated head office and corporate (loss)/profit | **(58,442)** | 516,974 |
| Consolidated profit | **1,948,648** | 4,791,541 |
| **Income tax** | | |
| Reportable segment income tax | **(988,023)** | (2,816,250) |
| Unallocated head office and corporate income tax | **(20,751)** | (717,853) |
| Consolidated income tax | **(1,008,774)** | (3,534,103) |
| **Assets** | | |
| Reportable segment assets | **98,289,566** | 95,432,163 |
| Unallocated head office and corporate assets | **24,649,711** | 18,195,894 |
| Elimination of intra-Group balances | **(52,840,232)** | (42,410,515) |
| Consolidated total assets | **70,099,045** | 71,217,542 |
| **Liabilities** | | |
| Reportable segment liabilities | **42,384,607** | 37,837,047 |
| Unallocated head office and corporate liabilities | **44,680,133** | 42,024,689 |
| Elimination of intra-Group balances | **(52,759,132)** | (42,371,491) |
| Consolidated total liabilities | **34,305,608** | 37,490,245 |

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 2018 and 2017.

As at 31 December 2018, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB59,915,640,000 (2017: RMB57,644,243,000), the total of these non-current assets located in Hong Kong is RMB nil (2017: RMB nil).

For the years ended 31 December 2018 and 2017, the Group does not have any single customer with the transaction value over 10% of the total external sales.

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

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

## 4 EXPENSE BY NATURE

| | Note | **2018** *RMB'000* | 2017 *RMB'000* |
|---|---|---|---|
| Building tax and other tax expenses | | **250,218** | 318,182 |
| Employee benefits expense | | **220,291** | 209,483 |
| Utilities and property maintenance expenses | | **148,461** | 129,786 |
| Leasing expenses | *(i)* | **124,280** | – |
| Depreciation and amortisation | | **96,726** | 59,238 |
| Office expenses | | **48,925** | 61,912 |
| Rental commission | | **48,079** | 63,726 |
| Advertising and marketing expenses | | **31,714** | 58,156 |
| Tax consulting service expenses | | **6,450** | 28,557 |
| Auditors' remuneration | | | |
| – Audit services | | **3,950** | 4,925 |
| – Non-audit services | | **772** | 848 |
| Costs of properties sold | | **(3,736)** | 183,692 |
| Other expenses | | **42,223** | 29,418 |
| **Total cost of sales, selling expenses, administrative expenses and other operating expenses** | | **1,018,353** | 1,147,923 |

*Note:*

(i) Leasing expenses represents the rentals and property management expense from third parties for SOHO 3Q shared-office business.

## 5 OTHER GAINS – NET

| | Note | **2018** *RMB'000* | 2017 *RMB'000* |
|---|---|---|---|
| Gains on disposal of investment properties | | **210** | 13,373 |
| Gains on disposal of subsidiaries | *(i)* | **987,606** | 369,959 |
| Losses on disposal of a joint venture | | **–** | (24) |
| | | **987,816** | 383,308 |

*Note:*

(i) On 20 November 2017, the Group entered into an agreement with Brave Point (an independent third party) in relation to the disposal of subsidiaries, Ever Prize Limited ("Ever Prize") and its subsidiaries, which directly held the entire equity interest in the project company that held Sky SOHO.

The transaction was completed on 16 April 2018. The net gain on disposal of RMB987,606,000 is recognised in the 'other gains – net'.

## 6 FINANCE INCOME AND FINANCE EXPENSES

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Finance income** | | |
| Interest income | **121,276** | 95,088 |
| | **121,276** | 95,088 |
| **Finance expenses** | | |
| Interest on bank and other borrowings | **826,316** | 776,351 |
| Interest expenses on corporate bonds | **108,849** | 108,660 |
| Less: interest expense capitalised into investment properties under development* | **(342,134)** | (303,946) |
| | **593,031** | 581,065 |
| Net foreign exchange (gains)/losses | **(1,871)** | 2,130 |
| Bank charges and others | **802** | 1,008 |
| | **591,962** | 584,203 |

* The borrowing costs were capitalised at a rate of 4.51% ~ 4.90% per annum (2017: 4.51% ~ 4.90 %).

## 7 INCOME TAX EXPENSE

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – PRC enterprise income tax | **342,896** | (110,609) |
| – PRC land appreciation tax | **(26,948)** | 780,887 |
| Deferred income tax | **692,826** | 2,863,825 |
| | **1,008,774** | 3,534,103 |

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

In accordance with the Corporate Income Tax Law of the People's Republic of China, the enterprise income tax rate applicable to the Company's subsidiaries in the PRC is 25% (2017: 25%).

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%.

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 recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **2,957,422** | 8,325,644 |
| Income tax computed by applying the tax rate of 25% (2017: 25%) | **739,356** | 2,081,411 |
| Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax | **6,737** | (195,222) |
| Tax losses not recognised | **118,731** | 73,964 |
| Reversal of tax losses recognised in prior years | **32,140** | 33,107 |
| Adjustment for income tax annual settlement | **17,900** | 10,674 |
| Tax effect of non-deductible expenses | **120,858** | 176,742 |
| (Reversal)/provision for Land Appreciation Tax for the year | **(26,948)** | 780,887 |
| Dividend withholding tax | **–** | 572,540 |
| Actual tax expense | **1,008,774** | 3,534,103 |

## 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 RMB1,924,966,000 (2017: RMB4,733,481,000) and the weighted average of 5,191,638,000 ordinary shares (2017: 5,192,530,000) in issue during the year, calculated as follows:

***Weighted average number of ordinary shares***

| | **2018** | 2017 |
|---|---|---|
| | ***Share'000*** | *Share'000* |
| Issued ordinary shares at the beginning | **5,199,524** | 5,199,524 |
| Effect of treasury shares | **(8,005)** | (7,375) |
| Effect of Awarded Shares vested | **119** | 381 |
| Weighted average number of ordinary shares during the year | **5,191,638** | 5,192,530 |

### (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 RMB1,924,966,000 (2017: RMB4,733,481,000) and the weighted average of 5,191,638,000 ordinary shares (2017: 5,192,530,000), calculated as follows:

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit attributable to ordinary equity shareholders | **1,924,966** | 4,733,481 |
| Profit attributable to ordinary equity shareholders (diluted) | **1,924,966** | 4,733,481 |

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

| | **2018** | 2017 |
|---|---|---|
| | ***Share'000*** | *Share'000* |
| Weighted average number of ordinary shares | **5,191,638** | 5,192,530 |
| Effect of deemed vesting of the awarded shares | **–** | – |
| Weighted average number of ordinary shares (diluted) | **5,191,638** | 5,192,530 |

## 9 TRADE AND OTHER RECEIVABLES

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| Trade receivables | (a) | **148,178** | 145,469 |
| Other receivables | | **685,127** | 675,033 |
| Less: allowance for doubtful debts | (b) | **(60,144)** | (60,144) |
| | | **773,161** | 760,358 |
| Less: non-current portion | | **(361,661)** | (326,761) |
| Current portion | | **411,500** | 433,597 |

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2018 and 2017.

*Notes:*

**(a) Aging analysis**

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

| | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Current | **75,294** | 81,476 |
| Less than 1 month past due | **12,412** | 11,631 |
| Into 6 months past due | **17,926** | 9,064 |
| 6 months to 1 year past due | **234** | 396 |
| More than 1 year past due | **42,312** | 42,902 |
| Amounts past due | **72,884** | 63,993 |
| | **148,178** | 145,469 |

**(b) Impairment of trade and other receivables**

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowances for all trade receivables.

## 10 TRADE AND OTHER PAYABLES

| | Notes | 2018 *RMB'000* | 2017 *RMB'000* |
|---|---|---|---|
| Accrued expenditure on constructions | *(i)* | **1,144,415** | 1,338,438 |
| Amounts due to related parties | | **936,552** | 835,064 |
| Rental deposits | | **205,427** | 556,305 |
| Others | | **620,441** | 520,668 |
| Financial liabilities measured at amortised costs | | **2,906,835** | 3,250,475 |
| Other tax payable | *(ii)* | **65,761** | 103,270 |
| | | **2,972,596** | 3,353,745 |

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

*Notes:*

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

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

| | 2018 *RMB'000* | 2017 *RMB'000* |
|---|---|---|
| Due within 1 month or on demand | **937,595** | 1,202,406 |
| Due after 1 month but within 3 months | **206,820** | 136,032 |
| | **1,144,415** | 1,338,438 |

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

## 11 DIVIDENDS

On 29 March 2019, the Board proposed a final dividend of RMB0.030 per ordinary share, with the aggregate amount of approximately RMB155,986,000 for the year ended 31 December 2018 (2017: declared and paid of RMB0.922 per ordinary share attributable to the year of 2017, paid of RMB0.346 per ordinary share attributable to the year of 2016).

## CHAIRMAN'S STATEMENT

Starting this year, I would like to share with the shareholders my thoughts on some topics off the balance sheet.

### 1) Why has China been able to achieve rapid development?

I often ask myself, why has China been able to achieve high speed development?

The first reason is because we were poor with low GDP per capita. Therefore, the space for development was especially large. The second reason is through networks that have activated access to different types of resources. The railroad network, the highway network, as well as the internet, have allowed China to become the world's most efficient country.

For example, I was once at a roadside convenience store in Beijing buying a package of tissue, the cost was only RMB three Yuan. I had not brought any cash. The owner said I could pay via Wechat. I paid with the simple use of my phone. However months before, in New York City, I saw an elderly woman who wanted to buy a bottle of perfume. When it came time to pay, she slowly pulled out a cheque book from her purse, and after carefully filling out the cheque, she folded it and gave it to the salesperson. The efficiency of paper cheques is no match for a cell phone. This is China's advantage, China's high speed is its leading edge.

In the new year, the factors propelling China's high speed growth have not disappeared. The population is still very large, and the average income per capita is still low. Highways, railways, the internet and mobile phone signal, all these important factors for growth are still advantages. Therefore, China's economy will continue to grow, this is my personal conviction.

### 2) January 2019, Gubei SOHO opened its doors

As we embark on a new year, we want to report to shareholders the results we have achieved. After over 2,100 days of hard work, in January 2019, a new landmark architecture for Shanghai, Gubei SOHO, reached completion.

With a total gross floor area of 160,000 square meters ("sq.m."), Gubei SOHO is built at the heart of Shanghai's Gubei international business district. Designed by renowned international architectural design firm KPF, its design was inspired by the Romanian landmark sculpture "The Endless Column". It is a new delivery we submitted to the city of Shanghai, and to our shareholders. Gubei SOHO has been continuously welcoming many friends and tenants. We will manage the building diligently, and provide our best service to all its tenants.

### 3) July 2019, SOHO Leeza will reach completion

In July 2019, our masterpiece skyscraper SOHO Leeza will reach completion and be put into use. SOHO Leeza is located in Beijing's Lize Financial District. With a total gross floor area of 170,000 sq.m., it follows Galaxy SOHO, Wangjing SOHO and Sky SOHO as our fourth collaboration with Zaha Hadid Architects. It is the most complex of the Zaha projects, and upon completion, it will be the world's tallest atrium.

This will become one of the most important transportation hubs in Beijing going forward. Five subway lines converge here: lines 11, 14, and 16, as well as the Airport express line, and the Lize Business District Financial Street direct connection line. Beijing's New Airport check-in building will also be built here. All of these will elevate the value of SOHO Leeza. We all look forward to SOHO's Leeza grand opening.

**4) The advancement of 5G is a connecting, unifying force**

5G, in essence, promotes cooperation between people. It is a unifying force for global connectivity and progress.

From a technological standpoint, 5G is 100 times faster than 4G. For speed to be increased one or two fold is already incredible, but the impact of increasing speed by one hundred fold is difficult to imagine. China Mobile and China Unicom together with other companies will invest over a trillion RMB Yuan in 5G. This is something that other companies and countries neither dare to do, or are able to do. China will likely be the first country to introduce the widespread use of 5G.

By June 2019, we will ensure that every SOHO China project will have 5G coverage. 5G will cover every corner of SOHO China properties.

**5) Two possibilities in 2019: the upcoming real estate tax will have no impact on SOHO China**

In 2019, there will be two possible major events, the first is the introduction of "real estate tax".

The current "property tax" is implemented in accordance with the administrative regulations of the State Council and local laws and regulations. Property tax is mostly applicable to the companies holding real estate, while individual consumers have a lot of tax reduction and exemption. Over the past 20 years, we have been focusing on office properties, and have paid 12% property tax each year.

This year, the Premier called for the steady implementation of the real estate tax legislation. This will be the most impactful factor in the real estate market in 2019. In other words, the current "property tax" will be implemented in accordance with tax laws. From its name we can infer that the property tax law is likely to include a broad range of content, and will probably build off the foundation of the current property tax, and land use tax, integrating these laws as well as introducing new content.

Most important is how the property tax will be levied on properties held by individuals. The taxation basis, the format of tax rates, tax rates and other details will need to be repeatedly assessed. According to the experience of other countries, real estate tax has a limited influence on regulating residential property transaction prices; however, it can act as a measure to crack down on speculation, and provide a stable source of public fiscal revenue for the government.

**6) Two possibilities for 2019: easing monetary policy in China**

The second major development that could affect the China's economy in 2019 is monetary policy. This year China may adopt an easing monetary policy, allowing more capital to flow into the market. So where would the money go? In 2018 we saw bubbles burst in many industries. I think this year the capital will likely continue to flow into the high-value, high liquidity real estate sector, with the most capital concentrated in Beijing and Shanghai property investment. SOHO China's assets are all prime location office buildings located in Beijing and Shanghai. Our asset value will continue to increase in 2019, resulting in better capital gains for shareholders.

**7) the effect of major cities**

Whether in China or in other countries, one common phenomenon is: capital, talent and all kinds of resources gravitate towards major cities. A friend told me that Paris' GDP is 1/3 of the GDP of all of France. In China, the two megacities of Beijing and Shanghai are magnets for huge amounts of capital, companies, and talent.

So many resources in one place are like a nuclear fusion releasing massive and immeasurable energy. Assuming this trend, we have developed our SOHO China in Beijing and Shanghai, and the value of these assets will continue to appreciate.

**8) What kind of company is SOHO China?**

What kind of company is SOHO China? I often reflect on this question.

In China's 20 golden years of real estate development, we built 5 million square meters of prime location properties in Beijing and Shanghai. Today over 400,000 people work in the offices we manage.

Over the last 20 years, we have always strived to improve our architecture, our construction quality and our management. But today, we realize that even this is not enough. Now, demand for office is not limited to just space. People want a space with strong mobile reception and internet coverage. Without the internet, it is like we are isolated on an island, unable to connect with the outside world, and unable to function.

Starting from June 2019, we will ensure that every corner of every property managed by SOHO China will be covered by 5G. I believe that the properties we have built are just the minimum foundation. We need to work together with providers to offer the fastest possible internet service, and only in this way can we provide a better development platform for our tenants. On this platform the most vibrant companies will thrive and grow.

## 9) Cooperation is the most powerful force

In 2018, our world was jolted by many different forces. One of these was division. We witnessed the rise of ethnic extremists and the drama of the trade war. Divisive forces have emerged all around the world. But there is an even stronger force, and that is positivity, such as the advancement of 5G technology, the progress of one belt one road, and people's hope for a united and peaceful world.

As an entrepreneur, the last few decades have taught me this: collaboration is the real factor that allows us to create society's wealth. If our environment is divisive and uncooperative, it would make the economy difficult to develop, the market unlikely to prosper, and businesses hard to generate profit. Only when our environment is cooperative, when we rely on each other and work together can the economy grow, the market thrive, and the businesses make money.

## 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 2018** *(RMB'000)* | **Occupancy Rate**[2] **as at 31 December 2018** | **Occupancy Rate**[2] **as at 31 December 2017** |
|---|---|---|---|---|
| | | Completed Projects – Beijing | | |
| Qianmen Avenue project | 34,907 | 117,287 | 100% | 100% |
| Wangjing SOHO | 148,151 | 385,563 | 98% | 99% |
| Guanghualu SOHO II | 94,279 | 274,792 | 95% | 97% |
| Galaxy & Chaoyangmen SOHO | 45,101 | 97,513 | 97% | 98% |
| | | Completed Projects – Shanghai | | |
| SOHO Fuxing Plaza | 88,234 | 224,653 | 96% | 95% |
| Bund SOHO | 72,826 | 195,868 | 87% | 96% |
| SOHO Tianshan Plaza | 97,751 | 178,862 | 95% | 64% |
| Sky SOHO[3] | 128,175 | 70,357 | 99% | 99% |
| | | Projects Under Construction – Beijing and Shanghai | | |
| SOHO Leeza – Beijing | 133,780 | N/A | N/A | N/A |
| Gubei SOHO[4] – Shanghai | 112,154 | N/A | N/A | N/A |

*Notes*:
1. The leasable GFA (gross floor area) attributable to the Group as at 31 December 2018.
2. Occupancy rate for office and retail, including SOHO 3Q (if any).
3. The disposal of Sky SOHO was completed on 16 April 2018. The above occupancy rate for Sky SOHO was as at 16 April 2018.
4. Gubei SOHO was completed in January 2019.

## 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 now a 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 117,179 sq.m. and the 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.

### *Qianmen Avenue project*

Qianmen Avenue project is located in the Qianmen area immediate south of Tiananmen Square, within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. The Group has the right to retail area of approximately 54,691 sq.m., of which approximately 34,907 sq.m. is currently available for lease. The Group has been working towards its goal of developing Qianmen Avenue into a premier "tourist destination". Leveraging on its massive visitor traffic, the Group aims to continue to attract and retain high-quality tenants that fit the positioning of the project.

### *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 subway lines 11, 14 and 16, as well as the Airport Express Line, and the Lize Business District Financial Street direct connection Line. Located between Beijing's West Second and Third Ring Roads, the Lize Financial Business District is expected to be developed into Beijing's next financial district, acting as an extension to Beijing's current Financial Street which we believe is one of the most expensive office markets in the world. The Lize Financial Business District is planned to provide quality offices, apartments, exhibition centers, commercial zones and leisure facilities aiming to accommodate the increasing demand arising from the continued expansion of financial companies around the current Financial Street area.

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 156,991 sq.m.. The office and retail parts of this project were completed in December 2016, with a total leasable GFA of approximately 97,751 sq.m., including approximately 74,497 sq.m. of office area and approximately 23,254 sq.m. of retail area. Hyatt Place Shanghai Tianshan Plaza, which is situated at SOHO Tianshan Plaza, was completed in November 2017 and has started operation since the end of February 2018.

### *Gubei SOHO*

Gubei SOHO 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.

The project 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, and is accessible underground from Yili Station on subway line 10 with 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 153,505 sq.m. and a total leasable GFA of approximately 112,154 sq.m.. The project was completed in January 2019 and has been launched for leasing after completion.

## Sale of Project Interests

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 (as the 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. The transaction was completed on 16 April 2018.

## FINANCIAL REVIEW

### Turnover and Rental income

Turnover during the Year was approximately RMB1,721 million, including rental income of approximately RMB1,735 million and property sales of RMB-14 million, resulting from inventory sales return. The rental income during the Year increased approximately 4% year over year compared with approximately RMB1,669 million in 2017. Adjusted for the effect of the disposals of Hongkou SOHO and Sky SOHO in 2017 and 2018 respectively, rental income from the Group's retained properties in the Year increased by approximately 18% from 2017.

### Profitability

Gross profit for 2018 was approximately RMB1,285 million, representing a slight decrease from approximately RMB1,453 million in 2017. The decrease was mainly due to the disposal of Hongkou SOHO and Sky SOHO in 2017 and 2018 respectively. Gross profit margin of property leasing for 2018 was approximately 75%.

Resulting from less valuation gains on investment properties during the Year, net profit after tax attributable to the equity shareholders of the Company for the Year was approximately RMB1,925 million, as compared with approximately RMB4,733 million in 2017.

### Cost control

Selling expenses for 2018 was approximately RMB37 million, representing a decrease of approximately 48% as compared with approximately RMB72 million in 2017.

Administrative expenses for 2018 was approximately RMB240 million, representing a decrease of approximately 20% as compared with approximately RMB299 million in 2017.

### Finance income and expenses

Finance income for 2018 was approximately RMB121 million, as compared with approximately RMB95 million in 2017. The increase was mainly due to the higher average cash position and better cash management during 2018.

Finance expenses for 2018 were approximately RMB592 million, relatively stable as compared with approximately RMB584 million in 2017.

### Valuation gains on investment properties

Valuation gains on investment properties for 2018 were approximately RMB1,093 million, compared with approximately RMB7,126 million in 2017. During 2017, the Group undertook a comprehensive revaluation of its investment properties which produced a very significant valuation gain, reflecting the reduction in capitalisation rates and the significant increase in rental rates since the previous valuation. The valuation gains in 2018 reflected more modest changes in real estate markets.

### Income tax

Income tax of the Group for 2018 comprised the PRC Corporate Income Tax, the Land Appreciation Tax and the Deferred Tax. PRC Corporate Income Tax for the Year was approximately RMB343 million. Land Appreciation Tax for the Year was approximately RMB-27 million mainly due to reversal of Land Appreciation Tax provided during previous years. Deferred Tax for the Year was approximately RMB693 million, representing a decrease of approximately RMB2,171 million as compared with approximately RMB2,864 million in 2017 mainly due to lower valuation gains from the investment properties during the Year.

### Corporate bonds, bank borrowings and other 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 RMB3,000 million at the coupon rate of 3.45% for a term of three years (the "Wangjing Domestic Corporate Bonds"). As at 31 December 2018, the amount of the Wangjing Domestic Corporate Bonds was approximately RMB3,000 million. As of the date of this announcement, the Wangjing Domestic Corporate Bonds had been fully repaid upon expiration.

As at 31 December 2018, total borrowings, excluding the Wangjing Domestic Corporate Bonds, of the Group were approximately RMB17,694 million. Among such borrowings, approximately RMB964 million were due within one year, approximately RMB1,648 million were due after one year but within two years, approximately RMB2,632 million were due after two years but within five years and approximately RMB12,450 million were due after five years. As at 31 December 2018, total borrowings, excluding the Wangjing Domestic Corporate Bonds, of approximately RMB17,694 million of the Group were collateralized by the Group's investment properties or bank deposits.

As at 31 December 2018, total borrowings of the Group were approximately RMB20,694 million, equivalent to approximately 30% of the total assets (31 December 2017: approximately 30%). The net debt (total borrowings – cash and cash equivalents – bank deposits and structured bank deposits) to equity attributable to owners of the Company ratio was approximately 43% (31 December 2017: approximately 51%).

### Risks of foreign exchange fluctuation and interest rate

As at 31 December 2018, offshore borrowings were approximately RMB723 million, accounting for approximately 3.5% of total borrowings of the Group. The Company's funding cost remained low at approximately 4.6% as at 31 December 2018. 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 2018, 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 RMB252 million as at 31 December 2018 (as at 31 December 2017: approximately RMB1,427 million).

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.

## Commitment

As at 31 December 2018, the Group's total capital commitment and non-cancellable operating leases for properties under development and investment properties were approximately RMB2,819 million (as at 31 December 2017: approximately RMB2,661 million). The amount of capital commitment mainly comprised the contracted and the authorised but not contracted development cost of the existing projects.

## Employees and remuneration policy

As at 31 December 2018, the Group had 2,058 employees, including 208 employees for Commune by the Great Wall and 1,548 employees for the property management company.

The remuneration package of the Group's employees includes basic salary, bonuses and equity-settled share-based payment. 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

The Board recommended a declaration of a final dividend of RMB0.03 in the form of cash per ordinary share of the Company (the "Shares") for the year ended 31 December 2018 (2017: nil) to shareholders whose names appear on the register of members of the Company on Monday, 10 June 2019. The final dividend to be paid on or around 18 June 2019 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Wednesday, 22 May 2019 to Tuesday, 28 May 2019.

### Closure of register of members

The register of members of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting to be held on Wednesday, 29 May 2019, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company 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 for registration no later than 4:30 p.m. on Thursday, 23 May 2019.

The register of members of the Company will also be closed from Tuesday, 4 June 2019 to Monday, 10 June 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible for the entitlement to the proposed final dividend, which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company 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, for registration no later than 4:30 p.m. on Monday, 3 June 2019.

### Share capital

As at 31 December 2018, the Company had 5,199,524,031 Shares in issue (31 December 2017: 5,199,524,031 Shares).

### Purchase, sale or redemption of listed securities of the Company

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities. During the Year, the trustee of employee's share award scheme did not purchase or sell any Shares.

**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 2018 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, 29 March 2019

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

* *For identification purposes only*