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 2019

FINANCIAL HIGHLIGHTS

- Achieved revenue of approximately RMB1,847 million during the Year, representing an increase of approximately 11% compared with the revenue of approximately RMB1,668 million in 2018 (excluding rental income from the Disposed Project).

- Gross profit margin for the Year was approximately 82% compared with approximately 75% in 2018.

- During the Year, net profit attributable to equity shareholders of the Company was approximately RMB1,331 million, representing an increase of approximately 8% compared with the net profit attributable to equity shareholders of the Company of approximately RMB1,233 million in 2018 (excluding non-recurring profit from the Project Disposal).

- As at 31 December 2019, the Group achieved approximately 90% average occupancy for stabilized investment properties.

- As at 31 December 2019, the ratio of net debt to equity attributable to the shareholders of the Company was approximately 43%, average funding cost approximately 4.8%, and offshore borrowings approximately 4.2% of the total debt.

2019 ANNUAL RESULTS

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 2019 (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 2019 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 25 March 2020.

The Group achieved revenue of approximately RMB1,847 million during the Year, representing an increase of approximately 11% compared with the revenue of approximately RMB1,668 million in 2018 (excluding rental income from the disposed Sky SOHO (the "Disposed Project")).

During the Year, net profit attributable to equity shareholders of the Company was approximately RMB1,331 million, representing an increase of approximately 8% compared with the net profit attributable to equity shareholders of the Company of approximately RMB1,233 million in 2018 (excluding non-recurring profit from the disposal of Sky SOHO (the "Project Disposal")).

The Board resolved not to declare a final dividend for the Year (2018: RMB0.03 per Share).

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

	Notes	**Year ended 31 December** **2019** ***RMB'000***	2018 *RMB'000*
Revenue	*3*	**1,847,091**	1,720,860
Cost of sales		**(336,650)**	(435,497)
Gross profit		**1,510,441**	1,285,363
Valuation gains on investment properties		**1,168,488**	1,092,853
Other gains – net	*4*	**56,340**	987,816
Other income		**425,364**	644,932
Selling expenses		**(31,751)**	(37,472)
Administrative expenses		**(237,747)**	(240,069)
Other operating expenses		**(369,572)**	(305,315)
Operating profit		**2,521,563**	3,428,108
Finance income	*5*	**80,032**	121,276
Finance expenses	*5*	**(682,400)**	(591,962)
Profit before income tax		**1,919,195**	2,957,422
Income tax expense	*6*	**(599,169)**	(1,008,774)
Profit for the Year		**1,320,026**	1,948,648
Profit attributable to:			
Owners of the Company		**1,331,193**	1,924,966
Non-controlling interests		**(11,167)**	23,682
Profit for the Year		**1,320,026**	1,948,648
Earnings per share (RMB per share)			
Basic earnings per share	*7*	**0.26**	0.37
Diluted earnings per share	*7*	**0.26**	0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the Year	**1,320,026**	1,948,648
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**47,783**	114,086
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	**745**	(209)
Surplus on revaluation of office premises, net of tax	**101,452**	–
Other comprehensive income for the Year, net of tax	**149,980**	113,877
Total comprehensive income for the Year	**1,470,006**	2,062,525
Total comprehensive income attributable to:		
Owners of the Company	**1,471,028**	2,038,843
Non-controlling interests	**(1,022)**	23,682
Total comprehensive income for the Year	**1,470,006**	2,062,525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Investment properties		**61,833,246**	58,338,000
Property and equipment		**1,306,505**	1,404,440
Intangible assets		**2,491**	4,067
Deferred income tax assets		**637,035**	603,951
Trade and other receivables	*8*	**365,900**	361,661
Deposits and prepayments		**169,133**	169,133
Bank deposits		**–**	130,051
Financial assets at fair value through other comprehensive income		**32,319**	16,175
Total non-current assets		**64,346,629**	61,027,478
Current assets			
Completed properties held for sale		**2,224,075**	2,728,240
Deposits and prepayments		**203,998**	365,671
Trade and other receivables	*8*	**454,803**	411,500
Bank deposits and structured bank deposits		**1,223,048**	4,844,232
Cash and cash equivalents		**1,206,837**	721,924
Assets classified as held for sale		**69,626**	–
Total current assets		**5,382,387**	9,071,567
Total assets		**69,729,016**	70,099,045
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**106,112**	106,112
Other reserves		**35,964,422**	34,640,698
		36,070,534	34,746,810
Non-controlling interests		**1,045,605**	1,046,627
Total equity		**37,116,139**	35,793,437

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2019

		As at 31 December	
	Notes	**2019**	2018
		RMB'000	*RMB'000*
Liabilities			
Non-current liabilities			
Bank and other borrowings		**16,366,214**	16,730,195
Lease liabilities		**227,167**	–
Contract retention payables		**467,154**	518,644
Deferred income tax liabilities		**8,704,737**	8,062,255
Total non-current liabilities		**25,765,272**	25,311,094
Current liabilities			
Bank and other borrowings		**1,632,440**	964,189
Corporate bonds		**–**	2,999,632
Lease liabilities		**30,980**	–
Receipts in advance from customers and rental deposits		**72,082**	98,528
Contract liabilities		**241,112**	108,729
Trade and other payables	*9*	**3,138,383**	2,972,596
Current income tax liabilities		**1,732,608**	1,850,840
Total current liabilities		**6,847,605**	8,994,514
Total liabilities		**32,612,877**	34,305,608
Total equity and liabilities		**69,729,016**	70,099,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

New and amended standards effective on 1 January 2019 and adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- Hong Kong Financial Reporting Standards ("HKFRSs") 16 Leases ("HKFRS 16"),
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9,
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28,
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle,
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19, and
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening statement of financial position on 1 January 2019. The new accounting policies are disclosed in note 2(b).

(a) On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.6%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- using of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 Leases and HK (IFRIC) 4 Determining Whether an Arrangement Contains a Lease.

(ii) ***Measurement of lease liabilities***

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,447,771
Discounted using the lessee's incremental borrowing rate as at the date of initial application	910,190
Lease liability recognized as at 1 January 2019	910,190
Of which are:	
Current lease liabilities	72,020
Non-current lease liabilities	838,170

(iii) ***Measurement of right-of-use assets***

The right-of-use assets meet the definition of investment properties and are measured at fair value.

(iv) ***Adjustments recognized in the statement of financial position on 1 January 2019***

The aforesaid change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increased by RMB882,953,000
- trade and other payables – decreased by RMB27,237,000
- lease liabilities – increased by RMB910,190,000

There is no impact on retained earnings on 1 January 2019.

(b) As explained in note 2(a) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2(a).

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options by the Group are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are initially measured at cost comprising the following and are measured at the fair value subsequently:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3 REVENUE

The principal activities of the Group are real estate development, property leasing and property management. Revenue represents rental income and proceeds from sale of property units and is analyzed as follows:

	2019	2018
	RMB'000	*RMB'000*
Rental income	**1,832,756**	1,734,933
Sale of property units	**14,335**	(14,073)
	1,847,091	1,720,860

4 OTHER GAINS – NET

	2019	2018
	RMB'000	*RMB'000*
(Losses)/gains on disposal of investment properties	**(1,119)**	210
Gains on disposal of subsidiaries	**57,459**	987,606
	56,340	987,816

5 FINANCE INCOME AND FINANCE EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Finance income		
Interest income	**80,032**	121,276
	80,032	121,276
Finance expenses		
Interest on bank and other borrowings	**892,194**	826,316
Interest expense on lease liabilities	**39,083**	–
Interest expense on corporate bonds	**7,886**	108,849
Less: interest expense capitalized into investment properties under development*	**(212,781)**	(342,134)
	726,382	593,031
Net foreign exchange gains	**(45,079)**	(1,871)
Bank charges and others	**1,097**	802
	682,400	591,962

* The borrowing costs were capitalized at a rate of 4.51% ~ 4.90% per annum (2018: 4.51% ~ 4.90% per annum).

6 INCOME TAX EXPENSE

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

	2019 *RMB'000*	2018 *RMB'000*
Current income tax		
– PRC corporate income tax	**61,238**	342,896
– PRC land appreciation tax ("LAT")	**(37,649)**	(26,948)
Deferred income tax	**575,580**	692,826
	599,169	1,008,774

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 income tax.

In accordance with the Corporate Income Tax Law of the People's Republic of China ("PRC"), the corporate income tax rate applicable to the Company's subsidiaries in the PRC is 25% (2018: 25%).

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

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognized for the dividends that have been declared, and deferred tax liability is recognized for those to be declared in the foreseeable future.

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

	2019 *RMB'000*	2018 *RMB'000*
Profit before income tax	**1,919,195**	2,957,422
Income tax computed by applying the tax rate of 25% (2018: 25%)	**479,799**	739,356
Tax losses not recognized	**59,737**	118,731
Reversal of tax losses recognized in prior years	**–**	32,140
Adjustment for income tax annual settlement	**20,042**	17,900
Difference in overseas tax rates	**67,828**	120,858
Effect of higher tax rate for LAT in the PRC	**(28,237)**	(20,211)
Actual tax expense	**599,169**	1,008,774

7 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 RMB1,331,193,000 (2018: RMB1,924,966,000) and the weighted average number of 5,193,023,000 ordinary shares (2018: 5,191,638,000) in issue during the Year, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
	Share'000	*Share'000*
Issued ordinary shares at the beginning	**5,199,524**	5,199,524
Effect of treasury shares	**(7,165)**	(8,005)
Effect of awarded shares vested	**664**	119
Weighted average number of ordinary shares during the year	**5,193,023**	5,191,638

(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 RMB1,331,193,000 (2018: RMB1,924,966,000) and the weighted average number of 5,193,023,000 ordinary shares (2018: 5,191,638,000), calculated as follows:

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

	2019	2018
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	**1,331,193**	1,924,966
Profit attributable to ordinary equity shareholders (diluted)	**1,331,193**	1,924,966

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

	2019	2018
	Share'000	*Share'000*
Weighted average number of ordinary shares	**5,193,023**	5,191,638
Effect of deemed vesting of the awarded shares	**–**	–
Weighted average number of ordinary shares (diluted)	**5,193,023**	5,191,638

8 TRADE AND OTHER RECEIVABLES

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Trade receivables		**222,812**	148,178
Less: allowance for impairment of trade receivables	*(b)*	**(32,028)**	(32,001)
Trade receivables-net	*(a)*	**190,784**	116,177
Other receivables		**657,802**	685,127
Less: allowance for impairment of other receivables		**(27,883)**	(28,143)
Other receivables-net		**629,919**	656,984
Less: non-current portion		**(365,900)**	(361,661)
Current portion		**454,803**	411,500

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2019 and 2018.

Notes:

(a) Aging analysis

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

	2019	2018
	RMB'000	*RMB'000*
Current	**150,107**	75,294
Less than 1 month past due	**19,589**	12,412
1 to 6 months past due	**18,649**	17,926
6 months to 1 year past due	**–**	234
More than 1 year past due	**2,439**	10,311
Amounts past due	**40,677**	40,883
	190,784	116,177

(b) Impairment of trade receivables

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

9 TRADE AND OTHER PAYABLES

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Accrued expenditure on constructions	*(i)*	**1,397,866**	1,144,415
Amounts due to related parties		**812,732**	936,552
Rental deposits		**273,575**	205,427
Others		**563,862**	620,441
Financial liabilities measured at amortized costs		**3,048,035**	2,906,835
Other taxes payable	*(ii)*	**90,348**	65,761
		3,138,383	2,972,596

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

Notes:

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

	2019	2018
	RMB'000	*RMB'000*
Due within 1 month or on demand	**1,397,866**	937,595
Due after 1 month but within 3 months	**–**	206,820
	1,397,866	1,144,415

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

10 DIVIDENDS

Final dividends in respect of the previous year amounting to RMB155,986,000 was declared and paid during the Year (2018: Nil), included in which RMB214,000 was attributable to treasury shares of the Company (2018: Nil).

The Board resolved not to declare a final dividend for the Year (2018: RMB0.03 per Share).

11 EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of material adverse effects on the financial statements as a result of the COVID-19 outbreak.

CHAIRMAN'S STATEMENT

2019 was a year full of challenges for China's economic development. Under a generally stable environment where some progress was made, we were glad to see some changes in China's economic operation. Firstly, it has become more open in many important areas such as economy and finance; secondly, more emphasis has been placed on the quality rather than speed of development; and thirdly, the scientific and technological innovation has become more important than ever before. China's economic structure is slowly transforming. In the process of such changes and with the pressure of external trade disputes, economic growth of the Year has slowed down in comparison with previous years, and the office leasing market has felt the impact.

According to Cushman & Wakefield's market reports, average office rent and office occupancy rates in Beijing and Shanghai decreased throughout 2019 at varying degrees while the mature properties of SOHO China in Beijing and Shanghai saw rental rates go up. In the fourth quarter of 2019, our occupancy rates declined with the market, dropping to approximately 90% at the end of 2019. During the Year, the Group achieved revenue of approximately RMB1,847 million, representing an increase of approximately 11% compared with approximately RMB1,668 million in 2018 (excluding rental income from the Disposed Project), of which rental income from mature projects increased by approximately 5% over 2018.

In 2019, we completed and delivered one new project in Shanghai and one in Beijing. Gubei SOHO in Shanghai was completed in the first quarter of 2019, with a leasable GFA of approximately 112,000 sq.m. By the end of the Year, the project was about 67% leased. Gubei SOHO is located in the heart of Changning District in Shanghai, and only about 100 meters from the nearest metro station. We expect this project to contribute more rental income in 2020. In Beijing, Leeza SOHO was completed in the fourth quarter of 2019, and is one of our Company's projects with the most potential. Leeza SOHO is a landmark building within Lize Business District in Beijing, the area slotted for further government development and attention. In the future, the project's underground will be the site of convergence for and transfer of five subway lines, including Line 11, Line 14, Line 16, New Airport Line and the Lize Business District Financial Street connection line. With the continuous improvements in infrastructure, Leeza SOHO will gradually come to reflect its value. Both Gubei SOHO and Leeza SOHO have obtained LEED Gold certification, and are examples of the Company's commitment to environmentally friendly building standards and green office.

Against the backdrop of China's national strategy for science, technology and innovation in 2019, we also promoted two practices:

Firstly, further strengthening our platform management to improve efficiency and services. In the beginning of 2019, we launched an online public rental platform, integrating all SOHO China's listings into an online platform that is open to all customers, agents and third parties, providing customers with one-stop, online rental services. This open and transparent approach converts the entire leasing process to online while making leasing service more efficient and convenient. Additionally, SOHO China's energy management platform achieved outstanding results during the Year, with a total of 277,000 tasks on equipment and facilities completed, with completion rate of 99.8%. Cumulative energy saving reached 82 million kWh, achieving an energy saving rate of 22.3%.

Secondly, the deployment of 5G was our strategic priority of the Year. In 2019, we signed contracts with the three major operators, China Mobile, China Unicom, and China Telecom, and completed the laying out of 5G networks in all of SOHO China's projects in Beijing, making us one of the first domestic property developers to introduce 5G networks into the commercial office sector. As at the date hereof, SOHO China's property management has already started to apply 5G sensors that enable office workers to experience value-added network services. We have also built a brand new SOHO China 5G lab at Leeza SOHO where over 20 5G applications are demonstrated including application scenarios for smart buildings, smart perception, smart medical treatment, and remote interaction. We hope to build the lab into an open platform, inviting more products and services to our 5G environment to test and demonstrate applications as a way to promote industry progress.

Looking forward to 2020, despite many uncertain factors affecting the economy at home and abroad, we believe China will continue to promote structural economic transformation and maintain stable growth. With such a huge market and huge potential, China's development speed will still be a leading one among large economies of the world, and the commercial office markets in Beijing and Shanghai will continue to develop steadily. As a modern office service provider with a large number of high-quality properties in the prime areas of Beijing and Shanghai, we will continue our efforts to improve the level of asset operation and property management, and realize the value of the Company.

BUSINESS REVIEW

The details of rental income and occupancy rates of major investment properties of the Group were as follows:

Projects	**Leasable GFA**[1]	**Rental Income 2019**	**Occupancy Rate**[2] **as at 31 December 2019**	**Occupancy Rate**[2] **as at 31 December 2018**
	(sq.m.)	*(RMB'000)*		
Beijing				
Qianmen Avenue project	34,907	111,310	95%	100%
Wangjing SOHO	149,172	382,125	86%	98%
Guanghualu SOHO II	94,279	265,035	87%	95%
Galaxy & Chaoyangmen SOHO	45,375	100,769	94%	97%
Leeza SOHO[3]	137,470	N/A	9%[3]	N/A
Shanghai				
SOHO Fuxing Plaza	88,234	233,053	95%	96%
Bund SOHO	72,826	176,111	78%	87%
SOHO Tianshan Plaza	97,751	207,998	97%	95%
Gubei SOHO[4]	112,176	92,297	67%	N/A

Notes:
1. The leasable GFA (gross floor area) attributable to the Group as at 31 December 2019.
2. Occupancy rate for office and retail areas.
3. Leeza SOHO was completed in December 2019; and the occupancy rate was based on pre-leased areas.
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.. With a height of nearly 200 meters, Wangjing SOHO is now a landmark in central Beijing. The project comprises three towers (Towers 1, 2 and 3), among which Towers 1 and 2 were mostly sold in 2014.

The Group is holding Wangjing SOHO Tower 3 and some units of Towers 1 and 2. Tower 3 was completed in September 2014, with a total GFA of approximately 157,318 sq.m.. The Group is entitled to a leasable GFA of approximately 133,766 sq.m., including approximately 123,568 sq.m. of office area and approximately 10,198 sq.m. of retail area.

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

Guanghualu SOHO II

Guanghualu SOHO II is located at the heart of the central business district in Beijing, close to subway lines 1 and 10. The total GFA of the project is approximately 117,179 sq.m. and the total leasable GFA attributable to the Group is approximately 94,279 sq.m., including approximately 63,308 sq.m. of office area and approximately 30,971 sq.m. of retail area. The project was completed in November 2014.

Qianmen Avenue project

Qianmen Avenue project is located in the Qianmen area, immediate south of Tiananmen Square, 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.

Leeza SOHO

Leeza SOHO is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is adjacent to the planned subway lines 11, 14 and 16 as well as the New Airport line, and the Lize Business District Financial Street connection line. Located between Beijing's West Second and Third Ring Roads, the Lize Financial Business District is expected to be developed into Beijing's next financial district, acting as an extension to Beijing's current Financial Street which we believe is one of the most expensive office markets in the world. The Lize Financial Business District is planned to provide quality offices, apartments, exhibition centers, commercial zones and leisure facilities aiming to accommodate the increasing demand arising from the continued expansion of financial companies around the current Financial Street area.

Leeza SOHO has a total GFA of approximately 150,324 sq.m., and a total leasable GFA of approximately 137,470 sq.m.. The project was completed in December 2019. The Group holds Leeza SOHO as investment property.

Major Projects in Shanghai

SOHO Fuxing Plaza

SOHO Fuxing Plaza is located at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway lines 10 and 13. It is right next to Shanghai Xintiandi, the most bustling and diverse commercial area of Shanghai. SOHO Fuxing Plaza has a total GFA of approximately 124,068 sq.m. and a leasable GFA of approximately 88,234 sq.m., of which approximately 46,344 sq.m. is for office use and approximately 41,890 sq.m. is for retail use. The project was completed in September 2014.

Bund SOHO

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

The Group is entitled to a leasable GFA of approximately 72,826 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 buildings, business and high-end residential apartments. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan Plaza has direct access to Loushanguan Station on subway line 2.

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

Gubei SOHO

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

The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Ma'nao Road to the west and Hongqiao Road to the north. The project is accessible underground from Yili Station on subway line 10 and with close proximity to Gubei Fortuna Plaza and other Grade A office buildings.

The project has a total GFA of approximately 146,692 sq.m. and a total leasable GFA of approximately 112,176 sq.m.. The project was completed in January 2019. The Group holds Gubei SOHO as investment property.

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately RMB1,847 million during the Year, representing an increase of approximately 11% compared with the revenue of approximately RMB1,668 million in 2018 (excluding rental income from the Disposed Project).

Profitability

Gross profit for the Year was approximately RMB1,510 million, representing an increase of approximately RMB225 million or approximately 18% as compared with approximately RMB1,285 million in 2018. Gross profit margin for the Year was approximately 82% compared with approximately 75% in 2018.

During the Year, net profit attributable to equity shareholders of the Company was approximately RMB1,331 million, representing an increase of approximately 8% compared with the net profit attributable to equity shareholders of the Company of approximately RMB1,233 million in 2018 (excluding non-recurring profit from the Project Disposal).

Cost control

Selling expenses for the Year were approximately RMB32 million, compared with approximately RMB37 million in 2018. Administrative expenses for the Year were approximately RMB238 million, compared with approximately RMB240 million in 2018.

Finance income and expenses

Finance income for the Year was approximately RMB80 million, representing a decrease of approximately RMB41 million as compared with approximately RMB121 million in 2018.

Finance expenses for the Year were approximately RMB682 million, representing an increase of approximately RMB90 million as compared with approximately RMB592 million in 2018.

Valuation gains on investment properties

During the Year, the valuation gains were approximately RMB1,168 million, compared with approximately RMB1,093 million in 2018.

Income tax expense

Income tax of the Group is composed of the PRC corporate income tax, the LAT and the deferred income tax. PRC corporate income tax for the Year was approximately RMB61 million, compared with approximately RMB343 million in 2018. LAT for the Year was approximately RMB-38 million, compared with approximately RMB-27 million in 2018. Deferred income tax for the Year was approximately RMB576 million, compared with approximately RMB693 million in 2018.

Bank borrowings, other borrowings and collaterals

As at 31 December 2019, total borrowings of the Group was approximately RMB17,999 million, of which approximately RMB1,632 million were due within one year, approximately RMB986 million were due after one year but within two years, approximately RMB3,924 million were due after two years but within five years, and approximately RMB11,457 million were due after five years. As at 31 December 2019, borrowings of the Group of approximately RMB17,247 million were collateralized by the Group's investment properties and restricted bank deposits.

As at 31 December 2019, 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% (as at 31 December 2018: approximately 43%).

Risks of foreign exchange fluctuation and interest rate

As at 31 December 2019, offshore borrowings were approximately RMB752 million, accounting for approximately 4.2% of total borrowings of the Group. The Company's average funding cost remained relatively low at approximately 4.8% as at 31 December 2019. 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

The Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans offered to buyers of property units. The total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB112 million as at 31 December 2019 (as at 31 December 2018: approximately RMB252 million).

Capital commitment

As at 31 December 2019, the Group's total capital commitment was approximately RMB106 million (as at 31 December 2018: approximately RMB1,371 million).

Employees and remuneration policy

As at 31 December 2019, the Group had 1,948 employees, including 200 employees for Commune by the Great Wall and 1,512 employees for the property management company.

The remuneration package of the Group's employees mainly includes basic salary and bonuses. Bonuses are determined on a monthly basis based on performance reviews.

OTHER INFORMATION

Principal activities

The principal activities of the Group are real estate development, property leasing and property management. There were no significant changes in the nature of the Group's principal activities during the Year.

Dividends

The Board resolved not to declare a final dividend for the Year (2018: RMB0.03 per Share).

Closure of register of members

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, 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 Friday, 22 May 2020, 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, 18 May 2020.

Share capital

As at 31 December 2019, the Company had 5,199,524,031 Shares in issue (as at 31 December 2018: 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. During the Year, the trustee of the employees' share award scheme of the Company (the "Employees' Share Award Scheme") purchased on the Stock Exchange a total of 97,000 Shares at a total consideration of approximately HKD253,955 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.

Event after the Reporting Period

On 11 March 2020, the Company announced that it has been in discussions with overseas financial investors to explore the possibility of a strategic partnership, which may or may not lead to a general offer for the issued share capital of the Company. Please refer to the Company's announcement dated 11 March 2020 for further information.

Audit committee

The audit committee of the Company had reviewed the audited consolidated annual results of the Company for the year ended 31 December 2019 which had been agreed with the auditor of the Company, namely PricewaterhouseCoopers, 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, 25 March 2020

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.