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 2013

- Achieved core net profit attributable to equity shareholders of the Company (excluding valuation gains on investment properties) of approximately RMB4,440 million, increased by approximately 33% year over year, and net core profit margin of approximately 30% for the Period

- Achieved net profit attributable to equity shareholders of the Company of approximately RMB7,388 million

- As at 31 December 2013, the Group had total cash and bank deposits of approximately RMB10,650 million. Ratio of net debt to total equity attributable to shareholders of the Company was approximately 17%

- Sales of two projects in Shanghai on 27 February 2014 by the Group will raise cash position by approximately RMB5.2 billion

- The Group achieved outstanding leasing results during the Period. SOHO Century Plaza, the first investment property wholly-owned by the Group, reached full occupancy by mid of 2013. Qianmen Project, after re-positioning as a tourist destination, attracted high-quality well-known brands including Madam Tussauds Wax Museum, Samsung, Lenovo, etc., with tenant base substantially upgraded. SOHO Fuxing Plaza, opening in 2014, has currently 41% of its retail space pre-leased

- The Board recommended a final dividend of RMB0.13 per share

The board (the "Board") of directors (the "Directors") 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 2013 (the "Year" or the "Period"), which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2013 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 4 March 2014.

For the year ended 31 December 2013, the Group achieved a turnover of approximately RMB14,621 million, a gross profit of approximately RMB8,114 million and a gross profit margin of approximately 55.5%. Net profit attributable to equity shareholders of the Company was approximately RMB7,388 million. Core net profit (excluding valuation gains on investment properties) was approximately RMB4,440 million, increased by approximately 33% year over year. The core net profit margin was approximately 30%. The main reason for the increase in core net profit and core net profit margin during the Year was mainly attributable to the high profit margin of Towers 1 and 2 of Wangjing SOHO, which were completed and delivered in 2013.

The Board recommended the payment of a final dividend of RMB0.13 per share for the year ended 31 December 2013 which is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 13 May 2014 (the "AGM").

Consolidated income statement
For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	**2013**	**2012**
		RMB'000	*RMB'000* (Restated)
Turnover	3	14,621,436	16,142,984
Cost of sales		(6,507,677)	(7,136,294)
Gross profit		8,113,759	9,006,690
Valuation gains on investment properties		4,220,199	9,604,777
Other revenue and income		302,492	442,170
Selling expenses		(372,880)	(326,970)
Administrative expenses		(348,039)	(254,094)
Other operating expenses		(126,868)	(151,885)
Profit from operations		11,788,663	18,320,688
Financial income	4(a)	807,202	432,516
Financial expenses	4(a)	(125,480)	(558,432)
Profit before taxation	4	12,470,385	18,194,772
Income tax	6	(5,034,304)	(7,547,921)
Profit for the year		7,436,081	10,646,851
Attributable to:			
Equity shareholders of the Company		7,388,049	10,584,876
Non-controlling interests		48,032	61,975
Profit for the year		7,436,081	10,646,851
Earnings per share (RMB per share)	7		
Basic		1.492	2.051
Diluted		1.404	1.897

Consolidated balance sheet
at 31 December 2013
(Expressed in Renminbi)

	Note	**2013**	**2012**
		RMB'000	*RMB'000*
Non-current assets			
Investment properties		48,728,000	38,310,000
Property and equipment		672,523	682,084
Bank deposits		124,699	137,647
Interest in joint ventures		4,088,032	4,065,532
Deferred tax assets		2,197,318	2,009,795
		55,810,572	45,205,058
Current assets			
Properties under development and completed properties held for sale		8,586,751	10,048,137
Deposits and prepayments		2,218,668	2,599,287
Trade and other receivables	8	682,152	662,937
Bank deposits		396,601	2,353,429
Cash and cash equivalents		10,128,281	19,708,723
		22,012,453	35,372,513
Current liabilities			
Bank loans		2,760,194	3,922,219
Sales deposits		3,112,341	8,896,083
Trade and other payables	9	3,586,042	2,657,017
Taxation		9,792,825	9,571,246
		19,251,402	25,046,565
Net current assets		2,761,051	10,325,948
Total assets less current liabilities		58,571,623	55,531,006

Consolidated balance sheet (continued)
at 31 December 2013
(Expressed in Renminbi)

	Note	**2013**	**2012**
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans		8,285,990	10,791,280
Convertible bonds		–	2,092,476
Senior notes		6,024,175	6,198,433
Contract retention payables		472,304	660,189
Deferred tax liabilities		5,299,910	4,078,166
Derivative financial instruments		3,449	–
		20,085,828	23,820,544
NET ASSETS		38,485,795	31,710,462
CAPITAL AND RESERVES			
Share capital	10	107,868	106,029
Reserves		37,352,740	30,593,478
Total equity attributable to equity shareholders of the Company		37,460,608	30,699,507
Non-controlling interests		1,025,187	1,010,955
TOTAL EQUITY		38,485,795	31,710,462

Notes to the consolidated financial statements

1 Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

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

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

– investment properties;

– office premises;

– financial instruments classified as available-for-sale or as trading securities; and

– derivative financial instruments.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements, and have no material impact on the Group, except for certain disclosures in respect of amendments to HKAS 1, HKFRS 12 AND HKFRS 13:

– HKFRS 13, 'Fair value measurement: Disclosures'

– Amendments to HKAS 1, 'Financial statement presentation'

– Amendments to HKFRS 7, 'Financial instruments disclosures'

– Amendments to HKAS 19, 'Employee benefits'

– HKFRS 10, 'Consolidated financial statements'

– HKFRS 11, 'Joint arrangements'

– HKFRS 12, 'Disclosures of interests in other entities'

– Amendments to HKAS 36, 'Impairment of assets'

– HKAS 28, 'Associates and joint ventures'

– HKAS 27, 'Separate financial statements'

– Annual improvements 2011

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Amendment to HKFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKAS 19, 'Employee benefits' was revised in June 2011. The changes on the Group's accounting policies have been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

HKAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKAS 27 includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

Annual improvements 2011 address six issues in the 2009–2011 reporting cycle.

It includes changes to:

- HKFRS 1, 'First time adoption'
- HKAS 1, 'Financial statement presentation'
- HKAS 16, 'Property plant and equipment'
- HKAS 32, 'Financial instruments:Presentation'
- HKAS 34, 'Interim financial reporting'

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for amendments to HKAS 36, and the Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application.

3 Turnover and segment reporting

(a) Turnover

The principal activities of the Group are property development and property investments. Turnover represents revenue from the sale of property units and rental income from investment properties, analysed as follows:

	2013	2012
	RMB'000	*RMB'000*
Sale of property units	14,342,233	15,986,058
Rental income from investment properties	279,203	156,926
	14,621,436	16,142,984

(b) Segment reporting

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

(i) Properties development

This segment includes projects which are held for sale.

(ii) Properties investment

This segment includes projects which are held for rental.

(c) 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 or amortization 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, gross profit, valuation gains on investment properties, net operating expenses, financial income, financial expenses, income tax, investment properties, properties under development and completed properties held for sale, cash and cash equivalents, bank deposits, bank loans, and additions to investment properties and property and equipment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below.

The Company adopts the current year segment presentation as a result of changes in business strategy and internal management reporting. The segment information for 2012 has been restated accordingly.

	Properties development		**Properites investment**		**Total**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	RMB'000	*RMB'000* (Restated)	*RMB'000*	*RMB'000* (Restated)	*RMB'000*	*RMB'000* (Restated)
Income statement items						
Reportable segment revenue	14,342,233	15,986,058	279,203	156,926	14,621,436	16,142,984
Cost of properties sold/cost of rental business	(6,492,042)	(7,127,491)	(15,635)	(8,803)	(6,507,677)	(7,136,294)
Reportable segment gross profit	7,850,191	8,858,567	263,568	148,123	8,113,759	9,006,690
Valuation gains on Investment properties	–	–	4,220,199	9,604,777	4,220,199	9,604,777
Operating Income/(expenses), net	21,376	78,536	56	8,696	21,432	87,232
Depreciation	(29,024)	(22,819)	(191)	(115)	(29,215)	(22,934)
Impairment of trade and other receievable	(51,610)	–	(9,304)	(15,114)	(60,914)	(15,114)
Financial income	481,879	389,161	16,096	20,773	497,975	409,934
Financial expense	(13,202)	(71,115)	(78,331)	(99,081)	(91,533)	(170,196)
Reportable segment profit before taxation	7,847,695	8,957,170	4,404,602	9,646,877	12,252,297	18,604,047
Income tax	(3,617,013)	(4,670,111)	(1,329,354)	(2,907,754)	(4,946,367)	(7,577,865)
Reportable segment profit	4,230,682	4,287,059	3,075,248	6,739,123	7,305,930	11,026,182
Balance sheet items						
Investment properties	–	–	48,728,000	38,310,000	48,728,000	38,310,000
Properties under development and completed properties held for sale	8,586,751	10,048,137	–	–	8,586,751	10,048,137
Cash and cash equivalents	5,670,154	7,370,713	3,095,434	507,102	8,765,588	7,877,815
Bank deposits	432,750	1,922,655	88,550	373,111	521,300	2,295,766
Bank loans	180,000	1,540,000	3,198,750	3,228,610	3,378,750	4,768,610
Reportable segment assets	34,385,236	44,601,618	44,678,511	38,457,472	79,063,747	83,059,090
Reportable segment liabilities	16,324,892	23,104,595	12,978,379	22,059,579	29,303,271	45,164,174
Additions to investment properties and property and equipment	19,655	17,360	10,418,000	24,975,500	10,437,655	24,992,860

Note: Business tax of RMB837,855,000 was previously presented net of turnover for the year ended 31 December 2012, and had been reclassified to cost of properties sold/cost of rental business to conform to the current year presentation.

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

	2013	2012
	RMB'000	*RMB'000* (Restated)
Profit		
Reportable segment profit	7,305,930	11,026,182
Unallocated head office and corporate expenses and income tax	130,151	(379,331)
Consolidated profit	7,436,081	10,646,851
Income tax		
Reportable segment income tax	(4,946,367)	(7,577,865)
Unallocated head office and corporate income tax	(87,937)	29,944
Consolidated income tax	(5,034,304)	7,547,921
Bank deposits		
Reportable segment bank deposits	521,300	2,295,766
Unallocated head office and corporate bank deposits	–	195,310
Consolidated bank deposits	521,300	2,491,076
Cash and cash equivalents		
Reportable segment cash and cash equivalents	8,765,588	7,877,815
Unallocated head office and corporate cash and cash equivalents	1,362,693	11,830,908
Consolidated cash and cash equivalents	10,128,281	19,708,723
Bank loans		
Reportable segment bank loans	3,378,750	4,768,610
Unallocated head office and corporate bank loans	7,667,434	9,944,889
Consolidated bank loans	11,046,184	14,713,499
Assets		
Reportable segment assets	79,063,747	83,059,090
Unallocated head office and corporate assets	27,868,475	50,086,918
Elimination of intra-group balances	(29,109,197)	(52,568,437)
Consolidated total assets	77,823,025	80,577,571
Liabilities		
Reportable segment liabilities	29,303,271	45,164,174
Unallocated head office and corporate liabilities	39,138,357	45,298,624
Elimination of intra-group balances	(29,104,398)	(41,595,689)
Consolidated total liabilities	39,337,230	48,867,109

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 2013 and 2012.

As at 31 December 2013, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB52,729,683,000 (2012: RMB42,921,519,000), the total of these non-current assets located in Hong Kong is RMB123,370,000 (2012: RMB278,474,000).

For the year ended 31 December 2013 and 2012, the Group does not have any single customer with the transaction value over 10% of the total external sales.

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Financial income and financial expenses

	2013	2012
	RMB'000	*RMB'000*
Financial income		
Interest income	674,222	432,516
Net foreign exchange gain	132,980	–
	807,202	432,516
Financial expense		
Interest on bank loans wholly repayable within five years	617,593	754,652
Interest on bank loans wholly repayable above five years	59,826	22,039
Interest expenses on the Convertible Bonds	172,861	190,938
Interest expenses on the Senior Notes	402,378	60,823
Less: Interest expense capitalised into properties under development*	(1,144,530)	(494,099)
	108,128	534,353
Net foreign exchange loss	–	4,777
Net loss on settlement of financial assets at fair value through profit or loss: Held for trading	3,654	–
Bank charges and others	13,698	19,302
	125,480	558,432

* The borrowing costs were capitalised at a rate of 4.49%~6.77% per annum (2012: 4.57%~8.32%).

(b) Staff costs

	2013	2012
	RMB'000	*RMB'000*
Salaries, wages and other benefits	249,727	209,105
Contributions to defined contribution retirement plan	15,249	15,048
Equity-settled share-based payment expenses	8,799	4,524
	273,775	228,677

(c) Other items

	2013	2012
	RMB'000	*RMB'000*
Depreciation	29,215	22,934
Auditors' remuneration		
– audit services	5,543	7,439
– tax services	2,672	1,387
– other services	1,706	798
Rental income	279,203	156,926

5 Government grants

The Group received total government grants of RMB154,548,000 (2012: RMB203,155,000) in relation to certain completed projects from the local finance bureaus pursuant to the regulations issued by the respective local governments.

Government grants of RMB203,155,000 was previously separately presented as part of the "profit from operations" for the year ended 31 December 2012, and had been reclassified to other revenue and income to conform to the current year presentation.

6 Income tax in the consolidated income statement

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

	2013	2012
	RMB'000	*RMB'000*
PRC Corporate Income Tax		
– Provision for the year	1,855,264	2,977,642
– Under/(over)provision in respect of prior years	7,740	(78,887)
Land Appreciation Tax	2,137,079	3,410,132
Deferred tax	1,034,221	1,239,034
	5,034,304	7,547,921

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

(ii) In accordance with the Corporate Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company's subsidiaries in the PRC is 25% (2012: 25%).

(iii) 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%.

(iv) 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:

	2013	**2012**
	RMB'000	*RMB'000*
Profit before taxation	12,470,385	18,194,772
Income tax computed by applying the tax rate of 25% (2012: 25%)	3,117,596	4,548,693
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	(534,270)	(837,253)
Tax effect of unused tax losses not recognised	234,278	105,503
Reverse of withholding tax provided in prior year	(34,756)	–
under/(Over)-provision in prior years	7,740	(78,887)
Tax effect of non-deductible expenses	106,637	399,733
Provision for Land Appreciation Tax for the year	2,137,079	3,410,132
Actual tax expense	5,034,304	7,547,921

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB7,388,049,000 (2012: RMB10,584,876,000) and the weighted average of 4,952,995,000 ordinary shares (2012: 5,160,850,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	**2012**
	'000	*'000*
Issued ordinary shares at 1 January	5,112,616	5,188,656
Effect of share options exercised	926	53
Effect of shares repurchased and cancelled	(196,691)	(20,520)
Effect of treasury shares	(10,341)	(7,551)
Effect of Awarded Shares vested	662	212
Conversion of convertible bonds	45,823	–
Weighted average number of ordinary shares during the year	4,952,995	5,160,850

(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 RMB7,560,910,000 (2012: RMB10,775,814,000) and the weighted average of 5,384,372,000 ordinary shares (2012: 5,680,015,000), calculated as follows:

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

	2013	**2012**
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	7,388,049	10,584,876
After tax effect of effective interest on the liability component of the convertible bonds	172,861	190,938
Profit attributable to ordinary equity shareholders (diluted)	7,560,910	10,775,814

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

	2013	**2012**
	'000	*'000*
Weighted average number of ordinary shares	4,952,995	5,160,850
Effect of conversion of the Convertible Bonds	430,103	516,605
Effect of deemed issue of shares under the employee's share option schemes	1,274	–
Effect of deemed vesting of the Awarded Shares	–	2,560
Weighted average number of ordinary shares (diluted)	5,384,372	5,680,015

8 Trade and other receivables

	Note	2013	2012
		RMB'000	*RMB'000*
The Group			
Trade receivables	(a)	149,176	161,038
Other receivables		572,958	513,622
Less: allowance for doubtful debts		(39,982)	(11,723)
		682,152	662,937

(a) Aging analysis

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

	2013	2012
	RMB'000	*RMB'000*
Current	36,474	75,089
Less than 1 month past due	19,752	1,075
Into 6 months past due	18,370	2,613
6 months to 1 year past due	12,024	9,388
More than 1 year past due	62,556	72,873
Amounts past due	112,702	85,949
	149,176	161,038

9 Trade and other payables – the Group

	Note	2013	2012
		RMB'000	*RMB'000*
Accrued expenditure on land and construction	(i)	1,824,778	1,091,125
Consideration payable for acquisition of subsidiaries and joint ventures		100,000	100,000
Amounts due to related parties		452,719	342,078
Others		702,940	676,064
Financial liabilities measured at mortised costs		3,080,437	2,209,267
Other taxes payable	(ii)	505,605	447,750
		3,586,042	2,657,017

Notes:

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

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

	2013	2012
	RMB'000	*RMB'000*
Due within 1 month or on demand	1,333,232	326,956
Due after 1 month but within 3 months	491,546	764,169
	1,824,778	1,091,125

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

10 Capital, reserves and dividends

(a) Dividends

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

	2013	2012
	RMB'000	*RMB'000*
Interim dividend declared and paid of RMB0.12 per ordinary share (2012: RMB0.12 per ordinary share)	582,428	619,697
Final dividend proposed after the balance sheet date of RMB0.13 per ordinary share (2012: RMB0.13 per ordinary share)	687,722	655,601
	1,270,150	1,275,298

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2013	2012
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.13 per ordinary share (2012: RMB0.11 per ordinary share)	644,019	570,752

(b) Share capital and treasury shares

(i) Share capital

	Note	2013 No. of shares	2013 Share capital	2012 No. of shares	2012 Share capital
		(thousands)	*RMB'000*	*(thousands)*	*RMB'000*
Authorised:					
Ordinary shares of HKD0.02 each		7,500,000		7,500,000	
Issued and fully paid:					
At 1 January		5,112,616	106,029	5,188,656	107,502
Shares repurchased last year and cancelled this year		(22,300)	(432)	–	–
Shares repurchased and cancelled this year	(ii)	(264,861)	(5,129)	(76,210)	(1,476)
Shares issued under the employees' share option schemes		2,558	41	170	3
Conversion of convertible bonds		462,156	7,359	–	–
At 31 December		5,290,169	107,868	5,112,616	106,029

During the year ended 31 December 2013, options were exercised to subscribe for 2,558,000 ordinary shares (2012: 170,000) of the Company at consideration of RMB11,983,000 (2012: RMB588,000) of which RMB41,000 (2012: RMB3,000) was credited to share capital and the balance of RMB11,942,000 (2012: RMB585,000) was credited to the share premium. RMB3,729,000 (2012: RMB178,000) has been transferred from capital reserve to share premium.

(ii) Shares repurchased and cancelled

During the year ended 31 December 2013, the Company repurchased its own shares on the Main Board of The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Consideration paid
	(Share)	*HKD*	*HKD*	*HKD'000*
January 2013	(47,745,500)	6.89	6.22	309,237
March 2013	(45,705,000)	6.49	6.02	286,923
April 2013	(16,243,500)	6.70	6.62	108,372
May 2013	(56,531,000)	6.97	6.50	382,731
June 2013	(66,756,000)	6.64	5.86	412,549
July 2013	(31,880,000)	6.51	6.23	202,495
	(264,861,000)			1,702,307

All the repurchased shares were cancelled during this year and 22,300,000 shares repurchased last year were cancelled this year and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of HKD 5,743,230 was transferred from share premium to the capital redemption reserve.

(iii) Treasury shares

	2013		2012	
	No. of shares	**Share capital**	**No. of shares**	**Share capital**
	'000	*RMB'000*	*'000*	*RMB'000*
At 1 January	32,510	152,097	6,593	26,300
Shares repurchased and cancelled	(22,300)	(109,132)	3,879	17,625
Shares purchased for employee's share award scheme	231	1,212	22,300	109,132
Vesting of shares under employee's share award scheme	(1,189)	(4,245)	(262)	(960)
At 31 December	9,252	39,932	32,510	152,097

Details of treasury shares purchased during the year ended 31 December 2013 are as follows:

Month/Year	**Number of shares repurchased**	**Highest price Paid per share**	**Lowest price paid per share**	**Aggregate price paid**
	(Share)	*HKD*	*HKD*	*HKD'000*
Jun 2013	230,500	6.64	6.34	1,530

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

		2013	**2012**
Exercise period	**Exercise price**	*Number*	*Number*
8 October 2008 to 7 October 2013	HKD8.30	–	5,481,660
30 January 2009 to 29 January 2014	HKD6.10	45,000	2,606,000
30 June 2009 to 29 June 2014	HKD4.25	–	300,000
6 November 2013 to 5 November 2022	HKD5.53	8,184,000	8,184,000
		8,229,000	16,571,660

Each option entitles the holder to subscribe for one ordinary share in the Company.

CHAIRMAN'S STATEMENT

2013 was the first year of the Company's transition from a "Build-and-Sell" to a "Build-and-Hold" business model. The Company is now the largest prime office developer in Beijing and Shanghai, as well as the only one exclusively focused on the development, leasing and operation of office properties in the market. The transition was an overall strategic adjustment after careful consideration. So far, it has been smooth and successful and is in line with the overall economic trend and development of the real estate industry in China.

The Company achieved excellent results in 2013. Turnover was approximately RMB14,621 million, with a gross profit margin of 55.5% and net profit of approximately RMB7,388 million. Core net profit (excluding valuation gains on investment properties) was approximately RMB4,440 million, with a year-on-year growth of 33%. Core net profit margin was approximately 30%. As of the end of 2013, the Company had approximately RMB10,650 million in cash and net gearing ratio of only about 17%.

Although we are confident about China's long-term economic prospect, we are concerned about some troubling signs in the residential property sector. While returns are being squeezed, mounting land cost continues to create "land kings" one after another, which is a deviation from normal market rules. This phenomenon is especially pronounced in second- and third-tier cities. On the contrary, Beijing and Shanghai, China's only two truly global cities and equipped with the best infrastructures and abundant resources, are well-positioned to continue the great economic growth in the future. We are particularly optimistic about the prospects of office properties in these two cities. After significant increases in 2012, office rental rate in Beijing remained strong at historical high levels. Shanghai office market also maintained a strong momentum, with rental rate growing nearly 5% year-on-year. Meanwhile, vacancy rates in the two cities remained at historical low levels. All these figures point to the strength of demand for office properties in Beijing and Shanghai. In particular, Chinese domestic companies from all industry segments, be it finance, healthcare, consulting, manufacturing, or technology, are becoming the new force behind this growth in demand. We will continue to focus on the development, leasing and operations of prime office properties in the central areas of Beijing and Shanghai.

We made great progress under the new business model of "Build-and-Hold" throughout 2013, focusing on the development and operation of every single project. While creating value with each existing project, we also actively expanded by acquiring one commercial site in Beijing and Shanghai each to enrich our investment property portfolio and ensure long-term sustainable growth.

In 2013, we have achieved outstanding results in leasing and operation of commercial premises, supported by the Company's substantial experience in leasing and property management of commercial premises from our nearly two decades of history:

- **SOHO Century Plaza –** Situated in Century Avenue of Lujiazui, Pudong District, Shanghai, SOHO Century Plaza is the first wholly-owned investment property launched in Shanghai after the Company's transition. The project was 100% leased in mid-2013, of which about a half was leased to Shanghai Futures Exchange and the remaining primarily to financial institutions and service companies. The average rent is higher than those of the surrounding comparable buildings.

- **Qianmen –** Located in the heart of Beijing, Qianmen enjoys a daily traffic of 150,000 domestic and international visitors. Leveraging on Qianmen's unique locational advantages, the Company repositioned the project as a tourist destination. Tenant base has been significantly upgraded by introducing flagship and experience stores of renowned international and local brands, including Madame Tussaud's Wax Museum, Samsung, Lenovo, CJ Group from Korea, Wuyutai, Donglaishun, Red Star and Pacific Coffee Company, etc. The combination of such high-quality brands enhances inflow of visitors, and the large quantity of visitors in turn drives business at the stores, thereby forming a virtuous circle.

- **SOHO Fuxing Plaza –** The project is located at Huai Hai Road Central, the most vibrant and cosmopolitan commercial area in Shanghai. Right next to the project is Shanghai Xintiandi with a bustling commercial atmosphere. The project has direct access to subway lines 10 and 13 (under construction), while lines 1, 8 and 9 are also in close proximity. Currently about 41% of the retail area has been pre-leased. SOHO Fuxing Plaza is the first prime office tower equipped with the PM2.5 air-purification system in the Shanghai market, which has become a major attraction for the market and potential tenants.

While we strive to achieve strong results year after year, we remain equally focused on maintaining momentum for sustainable growth. In April 2013, the Company made a successful bid for a commercial land parcel in the core area of Hongqiao Foreign Trade Center in Shanghai's Changning District at a price of RMB3.19 billion. The total above-ground GFA of the land is approximately 105,476 square meters. Hongqiao Foreign Trade Center, the first foreign trade center in Shanghai, is located at the convergence area of offices, commercial premises and high-end apartments in Changning District. In September, the Company made another successful bid for a land parcel in the Lize Financial Business District in Beijing at a price of RMB1.922 billion. The site, located at the Lize Financial Business District between the Southwest 2nd and 3rd Ring Roads, is south of Financial Street and less than 1 km away from the West 2nd Ring Road. The total above-ground GFA of the land is approximately 124,000 square meters. With the unit price being only RMB15,500 per square meter, this project has great appreciation potential.

Occupancy and rental rates are measures of economic value of an office building, yet as a developer, we also bear important social responsibilities. Therefore, we are committed to creating positive social values through our buildings. Last year, we effectively tackled the PM2.5 air pollution problem in our buildings in a bid to offer a clean and healthy working environment for our tenants. The indoor air quality of SOHO China office towers has surpassed the standard set by the World Health Organization. Starting from Galaxy SOHO in Beijing, every SOHO China projects in future will be equipped with PM2.5 air-purification systems. During the year, we have also installed water dispensers to provide clean drinking water for our tenants. Last but not least, in an effort to create environment-friendly buildings and to protect the environment we are living in, we have established SOHO China Energy Saving Center, with a goal to enhance property management, save cost and improve energy efficiency.

Our physical health is linked to the health of the environment we live in. In many ways, a company is just like the human body and must maintain good health. As we dedicate ourselves to maintaining a healthy environment, we are also focused on building a healthy company. True health comes from inner wellness. A healthy society is driven by optimistic and motivated individuals with a healthy attitude, and ready to help others and serve the society. Similarly, the health of a company is not determined by its size, but by its culture and values. Unity, integrity and innovation are SOHO China's core corporate values. We will stay true to these values as we continue to strive for greater excellence and success.

BUSINESS REVIEW

Major Portfolio

During 2013, Tower 1 and Tower 2 of Wangjing SOHO was completed and delivered, with a total GFA of approximately 350,000 square meters. The Company acquired two commercial land parcels located in Gubei Hongqiao CBD of Shanghai and in Lize Financial Business District of Beijing, respectively during the Period. The total consideration of the two projects was RMB5,112 million.

As at 31 December 2013, the major properties in the Company's portfolio were as follows:

	Project	Location	Type	Total Gross Floor Area ("GFA")	Group Interest
	(sq.m.)				*(%)*
Projects for Investment	Tiananmen South (Qianmen)	Beijing	Retail	55,000	100%
	Chaoyangmen SOHO	Beijing	Retail, office	11,219*	100%
	Wangjing SOHO (Tower 3)	Beijing	Retail, office	170,000	100%
	Guanghualu SOHO II	Beijing	Retail, office	166,000	100%
	Lize Project	Beijing	Retail, office	170,000	100%
	SOHO Century Plaza	Shanghai	Retail, office	59,000	100%
	SOHO Fuxing Plaza	Shanghai	Retail, office	137,000	100%
	Sky SOHO	Shanghai	Retail, office	343,000	100%
	Hongkou SOHO	Shanghai	Retail, office	96,000	100%
	Bund SOHO	Shanghai	Retail, office	190,000	61.51%
	Bund 8-1 Land	Shanghai	Retail, office, finance, art, culture	426,000	50%
	SOHO Hailun Plaza**	Shanghai	Retail, Office	168,000	100%
	SOHO Tianshan Plaza	Shanghai	Retail, office, hotel	170,000	100%
	Gubei Project	Shanghai	Retail, office	150,000	100%
Projects for Sale	SOHO Zhongshan Plaza	Shanghai	Retail, office	142,000	100%
	SOHO Jing'an Plaza**	Shanghai	Residential, Retail, Office	76,000	100%

* *Lettable GFA in the project held by the Group for investment*

** *On 27 February 2014, the Company entered into agreements to sell entire interests in these two projects to Financial Street Holdings Co. Ltd.*

Major projects in Beijing

Tiananmen South (Qianmen)

The project is located at Qianmen Avenue and the area east to the avenue, right on the south of Tiananmen Square. The Group has the right to retail space of approximately 54,691 square meters, of which approximately 35,000 square meters is in leasing operation, with occupancy rate reaching 73% by the end of 2013. During the Period, the Group re-positioned the project as a tourist destination based on its unique location and large tourist traffic, substantially upgraded the tenant base. Currently Qianmen project features flagship and experience stores from international well-known brands including Samsung, Lenovo, Madame Tussauds, CJ, Wu Yutai, Long Shengxiang, Donglaishun etc.

Galaxy SOHO

Galaxy SOHO has a total GFA of approximately 328,432 square meters and total sellable area of approximately 258,590 square meters. Designed by Zaha Hadid Architects, the project was completed and delivered in November 2012 and became an iconic building within the East Second Ring Road of Beijing. It has access to two subway lines, and is the first newly built large-scale office building in Beijing to provide PM2.5 purified air.

The Group launched the pre-sale of Galaxy SOHO on 26 June 2010. As at 31 December 2013, the sellable area of project was almost sold out. Within one year after delivery, 77% of over 160,000 square meters office space of this gigantic project were leased out.

Wangjing SOHO

Designed by Zaha Hadid Architects, Wangjing SOHO is a large-scale retail and office property consisting of a total GFA of approximately 520,000 square meters and a total sellable/lettable GFA of approximately 417,358 square meters. The project comprises three towers (Towers 1, 2 and 3).

The pre-sale of Wangjing SOHO Towers 1 and 2 was launched on 20 August 2011. Total sellable GFA of the two towers was approximately 283,204 square meters, including approximately 240,597 square meters of office area and approximately 42,607 square meters of retail area (including B1). As at 31 December 2013, Towers 1 and 2 office and retail space were 98% sold, with a cumulative contract sales amount of approximately RMB14,844 million, and the average selling prices of approximately RMB49,551 per square meter for office area and approximately RMB76,159 per square meter for retail area, respectively. The Group plans to keep Tower 3 of approximately 127,895 square meters of lettable area as investment properties, of which approximately 123,573 square meters is for office and approximately 4,322 square meters for retail. Towers 1 and 2 were completed and delivered in the end of 2013 and Tower 3 is expected to be completed and delivered in 2014.

The Wangjing area where Wangjing SOHO locates is one of Beijing's most well-developed high-end residential area and is noticeably lacking in large-scale office and commercial facilities. Upon full completion in 2014, the development of Wangjing SOHO will significantly enhance and balance the overall urban fabric of the Wangjing area. The project, zoned to stand 200 meters high, will be the first landmark and a point of access to central Beijing from the airport expressway. Currently, Wangjing is also home to the China headquarters of many prestigious multinational companies, including Daimler, Siemens, Microsoft and Caterpillar.

Guanghualu SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District, opposite the Guanghualu SOHO project. The total planned GFA is approximately 166,264 square meters and total lettable area is approximately 115,814 square meters, including approximately 84,388 square meters of office area and approximately 31,426 square meters of retail space. The project is under construction and is expected to be completed by the end of 2014.

Major projects in Shanghai

SOHO Century Plaza

The project is the first completed office building wholly-owned by the Group in Shanghai as investment properties. It has a total lettable GFA of approximately 42,954 square meters, including approximately 42,522 square meters of office area and approximately 432 square meters of retail area. The project is fully occupied with approximately 50% leased to the Shanghai Futures Exchange and the rest mainly to financial institutions and service companies.

SOHO Century Plaza is situated at Century Avenue of Pudong District, Shanghai, Pudong's Zhu Yuan business district. The project is close to the Lujiazui financial district and only about three kilometers away from Jin Mao Tower and Oriental Pearl TV Tower. SOHO Century Plaza is easily accessible through convenient subway networks and road systems. It is within five minutes walking distance to Pudian Road Station on subway line 4 and within eight minutes walking distance to Century Avenue Station, the interchange station for subway lines 2, 4, 6 and 9. Century Avenue Station is currently the largest subway transportation hub in China.

SOHO Fuxing Plaza

The project has total planned GFA of approximately 137,000 square meters and lettable area of approximately 88,390 square meters, of which approximately 57,039 square meters is for office use and approximately 31,351 square meters is for retail use. Currently, 41% of the retail area has been pre-leased. The project is expected to be delivered and officially opened in the second half of 2014.

SOHO Fuxing Plaza is situated at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway line 10 and subway line 13 (under construction). It is right next to Shanghai Xintiandi that has a bustling commercial atmosphere.

Sky SOHO

Sky SOHO has a total planned GFA of approximately 343,000 square meters and total lettable area of approximately 228,296 square meters, which consists approximately 194,439 square meters of office area and approximately 33,857 square meters of retail area.

The project is situated in the Shanghai Hongqiao Linkong Economic Zone and adjacent to the Shanghai Hongqiao transportation hub. The Shanghai Hongqiao transportation hub, the convergence point of modern means of transportation such as airplane, high speed railway and subway, is the world's largest transportation hub and currently Shanghai's most vibrant area. It is connected to the most affluent cities of the Yangtze River Delta within about half an hour, making the Shanghai Hongqiao transportation hub and its nearby areas an area with the highest development potential in China.

The project is now under construction and is expected to be completed and delivered in 2014.

Hongkou SOHO

The project has a total planned GFA of approximately 95,506 square meters and a lettable GFA of approximately 70,548 square meters, including approximately 65,972 square meters of office area and approximately 4,576 square meters of retail area.

Hongkou SOHO is situated at Sichuan North Road Station on subway line 10 and is only 300 meters away from Baoshan Road Station, the interchange station for subway lines 3 and 4. It is located at the most prime and developed area of the Sichuan North Road commercial district, one of the three largest commercial districts in Shanghai.

The project is currently under construction.

Bund SOHO

The project has a total planned GFA of approximately 189,909 square meters. The Group holds 90% interests of T&T International Investment Corporation ("T&T International"), the major shareholder of the project company, and consequently holds 61.506% interest of the project company. The Group is entitled to a lettable GFA of approximately 77,308 square meters, including approximately 53,159 square meters of office area and approximately 24,149 square meters of retail area.

Bund SOHO is framed by Yong'an Road to the east, Xin Yong'an Road to the south, East Second Zhong Shan Road to the west, and Xinkaihe Road and Renmin Road to the north. On the treasured premium strip of the Bund, right next to Shanghai's most famous City God Temple, and beside the Bund's multi-dimensional transportation hub and yacht pier, the project location possesses a highly developed and lively commercial atmosphere.

The project is now under construction.

The Bund 8-1 Land

On 29 December 2011, the Group announced the entering into of an equity transfer and loan assignment agreement to acquire 50% equity interest in Shanghai Haizhimen Property Investment Management Co., Ltd. at a total consideration of RMB4 billion. As at 31 December 2013, the Group is indirectly entitled to 50% equity interest of the project company of the Bund 8-1 Land.

The Bund 8-1 Land has a site area of approximately 45,472 square meters zoned for mixed office, retail, financial, art and culture uses. The project has a total planned GFA of approximately 426,073 square meters, with above-ground GFA of approximately 274,777 square meters (of which lettable GFA is approximately 269,968 square meters, including 40,590 square meters of retail space, 190,000 square meters of office space, 30,000 square meters of hotel space and 9,378 square meters of art and culture space) and 151,296 square meters of underground gross floor area (including 51,002 square meters of underground retail space). The rights to the 30,000 square meters of hotel space and 6,000 square meters of underground auxiliary facilities have been sold to a third party.

The Bund 8-1 Land is located between Yuyuan Garden and the Shiliupu Expo water gate in Shanghai's Huangpu District, and is in close proximity to the Bund transportation hub and the Bund SOHO project acquired by the Group. Set on the bank of the Huangpu River, the Bund 8-1 Land is endowed with the Huangpu River waterfront scenery and faces Pudong's Global Financial Center and Jinmao Tower across the river.

The project is currently under construction.

SOHO Tianshan Plaza

SOHO Tianshan Plaza has a total planned GFA of approximately 170,000 square meters, and a total lettable GFA of approximately 117,435 square meters, including approximately 75,485 square meters of office area, approximately 18,048 square meters of retail area and approximately 23,902 square meters of hotel and other use.

SOHO Tianshan Plaza is at the most prime location of the Hongqiao Foreign Trade Center, in Changning District, Shanghai. Being the first business district for foreign enterprises in Shanghai, this area is home to over 4,400 enterprises and organizations with a high concentration of foreign invested enterprises. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan neighbors the inner circle and Loushanguan Station on subway line 2. Surrounded by a lively and bustling commercial atmosphere, SOHO Tianshan Plaza is situated at the hub for office, retail and luxurious residential apartments in Changning District. Upon completion, SOHO Tianshan Plaza will greatly enhance the quality of office and commercial facilities in the area.

The project is currently under construction.

SOHO Zhongshan Plaza

SOHO Zhongshan consists of two buildings with a total planned GFA of approximately 142,000 square meters, including approximately 100,218 square meters of sellable office area and approximately 12,691 square meters of sellable retail area.

SOHO Zhongshan Plaza is situated at Zhongshan West Road in Changning District, Shanghai. Situated at the heart of Hongqiao commercial district, it is only about 2 kilometers from Xujiahui and Zhongshan Park commercial districts, and about 8 kilometers from the Hongqiao transportation hub. SOHO Zhongshan Plaza is easily accessible through an extremely convenient transportation network that is close to Songyuan Road Station on subway line 10 and Hongqiao Road Station on subway lines 3, 4 and 10, and in close proximity to the Zhongshan West Road/Inner Ring highway.

As at 31 December 2013, the project sold 73% of total saleable area and achieved a total cumulative contract sales amount of approximately RMB3,881 million.

New Acquisitions

Gubei Project

In April 2013, the Group has made a successful bid of RMB3.19 billion for the land use right in respect of plot Gubei 5-2 situated in Changning District of Shanghai. The land is planned for office and retail use, and has a total GFA of approximately 150,000 square meters, and above-ground GFA of approximately 105,476 square meters.

The land is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District. The Hongqiao Foreign Trade Center area is Shanghai's first CBD for foreign enterprises, home to over 4,400 companies and organizations, over 50% of which are foreign invested enterprises and organizations including Intel, General Electric, Samsung, Shell and other multinational companies. Surrounded by a vibrant commercial office atmosphere, the area is a gathering place for Changning's office, business and high end residential apartments.

The land sits beside the 130,000 square-meter New Hongqiao Center Garden. After completion, the project will be accessible underground from subway line 10 and the planned subway line 15 that all run through Yili Station. The project is in close proximity to the Gubei Takashimaya shopping mall, Gubei Fortune Plaza, and other Grade A office buildings. The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Manao Road to the west and the Hongqiao Road to the north.

The planning and designing work has already commenced.

Lize Project

In September 2013, the Group has made a successful bid of RMB1.922 billion for the land use right of a land parcel in the Lize Financial Business District in Beijing. The land has a total GFA of approximately 170,000 square meters and an above-ground GFA of approximately 124,000 square meters. Located in the center of the Business District, the site is to the south of Lize Road and less than 1 kilometers away from the West Second Ring Road. The project is adjacent to the planned subway lines 14 and 16 and has very convenient access to transportation.

Located between Beijing's West 2nd and 3rd Ring Roads, the Lize Financial Business District is the key area to be developed into Beijing's next financial district, as an extension of the Financial Street. With a total site area of 8.09 square kilometers and a total planned GFA of 8-9.5 million square meters, the Lize Financial Business District is the last large-scale area for new development within the 3rd Ring Road in Beijing. It is planned to provide quality offices, apartments, exhibition centers, commercial and leisure facilities to accommodate the demand stemming from burgeoning financial institutions and headquarters of financial companies.

Lize Business District is currently home to over hundreds of financial institutions and large corporations, including financial corporations such as China Securities Finance Corporation, China United Property Insurance Company, and financial institutions such as China Financial Information Exchange, China Railway & Banking Express Company, Zhongtong Finance etc.

The planning and designing work of the project has already commenced.

Sales of Project Interest

On 27 February 2014, the Group entered into agreements with Financial Street Holdings Co., Ltd, pursuant to which the Group agreed to sell to Financial Street Holdings Co., Ltd (a) its entire equity interests in SOHO Hailun Plaza and the related loans; and (b) its entire interests in SOHO Jing'an Plaza for a total consideration of approximately RMB5.23 billion.

The sales will benefit the Group by increasing cash holding by approximately RMB5.23 billion as the Group continues to monitor the market for opportunities to acquire high-quality assets at prime locations in Beijing and Shanghai.

SOHO Hailun Plaza is located at subway line 10 Hailun Road Station in Hongkou District, Shanghai, only approximately 2.5 kilometers from the city center, the People's Square, and in close proximity to the Sichuan North Road business. It has a total above-ground GFA of approximately 112,132 square meters.

SOHO Jing'an Plaza is situated next to the Chang Shou Lu Commercial Street at the Caojiadu commercial area, Jing'an District, Shanghai. Surrounded by subway lines 2, 3, 7 and 11 and with the addition of subway lines 13 and 14 in the area in the future, the area is another vibrant, popular area for offices, retail and luxurious apartments. The project has a total above-ground GFA of approximately 51,136 square meters.

Contract sales

In 2013, the Group's contract sales were mainly generated from Towers 1 and 2 of Wangjing SOHO, Galaxy SOHO and SOHO Zhongshan Plaza. The total contract sales amount was approximately RMB4,687 million, with an average selling price of approximately RMB60,835 per square meter.

Project	Contract sales amount during the Period *(RMB'000)*	Contract sales area* during the Period *(sq.m.)*	Average price* during the Period *(RMB/sq.m.)*	Total sellable area* *(sq.m.)*	Aggregate percentage of sellable area sold* by 31 December 2013	Aggregate contract sales amount by 31 December 2013 *(RMB'000)*
Wangjing SOHO (Towers 1&2)	2,078,409	35,509	58,091	283,204	98%	14,843,983
Galaxy SOHO	1,257,779	13,657	89,881	258,590	92%	17,431,092
SOHO Zhongshan Plaza	841,937	17,953	45,958	112,864	73%	3,881,292
Others	509,021	8,757				
Total	**4,687,146**	**75,876**	**60,835**			

* *Sellable area, contract sales area and average price exclude that of car parks in the projects.*

FINANCIAL REVIEW

Property development

Turnover for 2013 was approximately RMB14,621 million. Area booked during the Period was approximately 261,637 square meters (excluding car parks), and the average selling price of booked area was approximately RMB54,527 per square meter. Turnover for the Period was mainly contributed by Wangjing SOHO, Galaxy SOHO and SOHO Zhongshan Plaza.

Profitability

Gross profit for 2013 was approximately RMB8,114 million, representing a decrease of 10% as compared with approximately RMB9,007 million in 2012. Gross profit margin for the Period was approximately 55.5% (2012: 55.8%).

Profit before taxation for 2013 was approximately RMB12,470 million, representing a decrease of approximately 31% as compared with approximately RMB18,195 million in 2012. The decrease in profit before taxation was mainly due to the substantial decrease in valuation gains from investment properties during the Period.

Net profit attributable to the equity shareholders of the Company for 2013 was approximately RMB7,388 million, representing a decrease of approximately 30% as compared with 2012. Core net profit, excluding valuation gains on investment properties, was approximately RMB4,440 million, representing an increase of approximately 33% as compared with that in 2012. Core net profit margin for 2013 was approximately 30%, which has substantially increased from 21% in 2012. The increase in core net profit and core net profit margin was mainly contributed by the relatively high profit margin of Towers 1 and 2 of Wangjing SOHO completed and delivered during the Period.

Cost control

Selling expense for 2013 was approximately RMB373 million, representing approximately 2.6% of the turnover during the Period.

Administrative expense for 2013 was approximately RMB348 million, accounting for approximately 2.4% of the turnover during the Period.

Financial income and expenses

Financial income for 2013 was approximately RMB807 million, representing an increase of approximately RMB375 million as compared with that in 2012. The increase in financial income was mainly due to the enhanced return from cash management and foreign exchange gain during the Period.

Financial expenses for 2013 were approximately RMB125 million, representing a decrease of approximately RMB433 million compared to those in 2012, as a result of large amount of interest expenses capitalized during the Period.

Valuation gains on investment properties

Valuation gains on investment properties for 2013 were approximately RMB4,220 million, mainly contributed by the valuation gains of uncompleted investment properties resulted from their further construction progress in the Period.

Income tax

Income tax of the Group for 2013 comprised the PRC Corporate Income Tax and the Land Appreciation Tax. The PRC Corporate Income Tax for the Period was approximately RMB1,863 million, representing a decrease of approximately RMB1,036 million as compared with approximately RMB2,899 million in 2012. Land Appreciation Tax for the Period was approximately RMB2,137 million, representing a decrease of approximately RMB1,273 million as compared with approximately RMB3,410 million in 2012.

Senior notes, bank loans and collaterals

On 31 October 2012, the Company successfully issued US$600 million 5.750% senior notes due 2017 and US$400 million 7.125% senior notes due 2022 (collectively, the "Senior Notes").

On 18 November 2013, the Company announced early redemption of outstanding portion of its 3.75% convertible bonds (the "Convertible Bonds") due in 2014 with principal amount of approximately HKD2,218 million. As at 12 December 2013, all outstanding Convertible Bonds were converted to 434,901,929 ordinary shares of the Company.

As at 31 December 2013, the bank loan balance of the Group was approximately RMB11,046 million, of which approximately RMB2,760 million is due within 1 year or on demand, approximately RMB1,650 million is due after 1 year but within 2 years, approximately RMB6,471 million is due after 2 years but within 5 years and approximately RMB165 million is due after 5 years. As at 31 December 2013, bank loans of approximately RMB11,046 million of the Group were collateralized by the Group's land use rights, properties and shares of certain subsidiaries or guaranteed by certain subsidiaries of the Group.

As at 31 December 2013, the Group had Senior Notes and bank loans of approximately RMB17,070 million, equivalent to approximately 22.0% of the total assets (31 December 2012: 28.5%). Net debt (bank loans + Senior Notes – cash and cash equivalents and bank deposits) to shareholder's equity ratio was approximately 17.1% (31 December 2012: 2.6%).

Risks of foreign exchange fluctuation and interest rate

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in Hong Kong dollars and US dollars, and the Group's Senior Notes were denominated in US dollars. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. During the Period, the Group entered into an interest rate swap agreement for the syndicated loans denominated in US dollars (USD415 million) to hedge the potential interest rate risk.

Contingent liabilities

As at 31 December 2013, the Group entered into agreements with certain banks to provide guarantees in respect to mortgage loans provided to buyers of property units. The amount of guaranteed mortgage loans relating to such agreements was approximately RMB6,339 million as at 31 December 2013 (approximately RMB5,593 million as at 31 December 2012).

Reference is made to the announcement of the Company dated 24 April 2013 in relation to the judgment issued by the Shanghai No. 1 Intermediate People's Court of the PRC (the "Trial Judgment"). Pursuant to the Trial Judgment, the acquisition by a subsidiary of the Company of 100% equity interests in Shanghai Zendai Wudaokou Real Estate Development Co., Ltd ("Zhendai Wudaokou") and Hangzhou Greentown Hesheng Investment Company ("Greentown Hesheng ") was ordered to be invalidated.

Zhendai Wudaokou and Greentown Hesheng together hold 50% equity interests in Shanghai Haizhimen Property Investment Management Co., Ltd. ("Shanghai Haizhimen"). Shanghai Haizhimen owns 100% equity interest in a project company which holds the land use rights to the Bund 8-1 Land.

The relevant subsidiary of the Company has made an appeal (the "Appeal") to the Higher People's Court of Shanghai against the Trial Judgment. As advised by the Company's PRC legal advisers, since the Trial Judgment cannot be enforced and will not become effective pending the results of the Appeal, the Company's relevant subsidiary is still holding 100% equity interests in Zendai Wudaokou and Greentown Hesheng, which, upon completion of the Project Company Transfer Agreement, through Shanghai Haizhimen, indirectly holds 50% interest in the Bund 8-1 Land.

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

Capital commitment

As at 31 December 2013, the Group's contracted capital commitments for properties under development was approximately RMB3,671 million (approximately RMB4,903 million as at 31 December 2012). The amount mainly comprised the contracted development cost of existing projects.

Employees and Remuneration Policy

As at 31 December 2013, the Group had 2,442 employees, including 236 employees for Commune by the Great Wall and 1,728 employees for the property management company.

The remuneration of the Group's employees includes basic salary and bonuses. Bonuses are determined on a quarterly basis based on performance reviews. Pursuant to the terms of the share option scheme adopted on 14 September 2007, the Company granted share options to various directors and employees. The Company adopted the share award scheme (the "Employee's Share Award Scheme") on 23 December 2010 as part of its employees' remuneration packages, and granted shares to various employees, including various Directors pursuant to the rules of the Employee's Share Award Scheme.

OTHER INFORMATION

Principal Activities

The principal activity of the Company is investment in real estate development, leasing and management. Details of the principal activities of the Group are 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 Period.

Dividends

The Board has approved a resolution to recommend the payment of a final dividend of RMB0.13 per ordinary share (each, a "Share") of HK$0.02 each in the issued share capital of the Company for the year ended 31 December 2013 (2012: RMB0.13), the payment of which is subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on Tuesday, 13 May 2014. The Group has already paid an interim dividend of RMB0.12 per Share.

Share Capital

As at 31 December 2013, the Company had 5,290,169,531 Shares in issue (31 December 2012: 5,112,616,800 Shares).

Closure of register of members

The register of members of the Company will be closed from Friday, 9 May 2014 to Tuesday, 13 May 2014 (both days inclusive), during which period no transfer of Shares will be registered. To be eligible for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Thursday, 8 May 2014.

The register of members of the Company will also be closed from Monday, 19 May 2014 to Wednesday, 21 May 2014 (both days inclusive), during which period no transfer of Shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted at the AGM of the Company, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Friday, 16 May 2014.

Purchase, sale or redemption of listed securities of the Company

In 2013, the Company repurchased on the Stock Exchange a total of 264,861,000 Shares at a total consideration of approximately HKD1,697,921,018. All of the Shares repurchased by the Company had been cancelled. In addition, the trustee of the Employee's Share Award Scheme, pursuant to the terms of the rules and trust deed of the Employee's Share Award Scheme, purchased on the Stock Exchange a total of 230,500 Shares at a total consideration of approximately HKD1,523,489. Other than the aforesaid, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the Period.

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 Period.

Compliance with the Corporate Governance Code

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

Audit committee

The audit committee of the Company had reviewed the audited consolidated annual results of the Company for the year ended 31 December 2013 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 http://www.hkexnews.hk and the Company at www.sohochina.com.

By order of the Board
SOHO China Limited
Pan Shiyi
Chairman

Hong Kong, 4 March 2014

As at the date of this announcement, the executive Directors are Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan, Ms. Tong Ching Mau and Mr. Yin Jie; and the independent non-executive Directors are Dr. Ramin Khadem, Mr. Cha Mou Zing, Victor and Mr. Yi Xiqun.