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 2014

- Achieved a turnover of approximately RMB6,098 million and a gross profit of approximately RMB3,078 million, with a gross profit margin of approximately 50%.

- Achieved rental income of approximately RMB424 million, representing an increase of approximately 52% compared to that of 2013. The increase of rental income is mainly due to the higher average occupancy rate of the Qianmen Avenue project and SOHO Century Plaza during the year and the contribution from newly completed Wangjing SOHO Tower 3, SOHO Fuxing Plaza and Sky SOHO during the year.

- Achieved net profit attributable to equity shareholders of the Company of approximately RMB4,080 million, and core net profit attributable to equity shareholders of the Company (excluding valuation gains on investment properties) of approximately RMB1,778 million. Core net profit margin is approximately 29%.

- As of 31 December 2014, the Group had total cash and bank deposits of approximately RMB12,478 million. Ratio of net debt to total equity of the Company was approximately 19%.

- During the year of 2014, the Group disposed by way of equity or asset transfer of three projects in Shanghai with a total consideration of approximately RMB8,282 million.

- The Board recommended a final dividend of RMB0.13 per share. Together with the interim dividend of RMB0.12 per share, total dividend declared for 2014 amounts to RMB0.25 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 2014 (the "Year" or the "Period"), which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2014 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 6 March 2015.

During the Period, the Group achieved a turnover of approximately RMB6,098 million, including RMB5,674 million from property sales, representing a decrease of approximately 60% compared with the same period of 2013 and approximately RMB424 million from property leasing, representing an increase of approximately 52% compared with the same period in 2013. The gross profit margin of the Group during the year was approximately 50%. Net profit attributable to equity shareholders of the Company for the Period was approximately RMB4,080 million, representing a decrease of approximately 45% compared to 2013. Core net profit (excluding net valuation gains on investment properties) attributable to equity shareholders of the Company for the Period was approximately RMB1,778 million, which decreased by approximately 60% from 2013. The core net profit margin during the Period was approximately 29%.

The Board recommended the payment of a final dividend of RMB0.13 per share for the year ended 31 December 2014 which is subject to shareholders' approval at the annual general meeting of the Company to be held on Thursday, 30 April 2015 (the "AGM").

Consolidated income statement
For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	**2014**	2013
		RMB'000	*RMB'000*
Turnover	3	**6,098,088**	14,621,436
Cost of sales		**(3,019,934)**	(6,507,677)
Gross profit		**3,078,154**	8,113,759
Valuation gains on investment properties		**3,125,477**	4,220,199
Other gains – net	4(c)	**597,834**	–
Other revenue and income		**261,702**	302,492
Selling expenses		**(199,703)**	(372,880)
Administrative expenses		**(278,120)**	(348,039)
Other operating expenses		**(273,971)**	(126,868)
Profit from operations		**6,311,373**	11,788,663
Financial income	4(a)	**707,742**	807,202
Financial expenses	4(a)	**(329,719)**	(125,480)
Profit before taxation	4	**6,689,396**	12,470,385
Income tax	6	**(2,537,935)**	(5,034,304)
Profit for the year		**4,151,461**	7,436,081
Attributable to:			
Equity shareholders of the Company		**4,079,831**	7,388,049
Non-controlling interests		**71,630**	48,032
Profit for the year		**4,151,461**	7,436,081
Earnings per share (RMB per share)	7		
Basic		**0.781**	1.492
Diluted		**0.780**	1.404

Consolidated balance sheet
At 31 December 2014
(Expressed in Renminbi)

	Note	**2014**	2013
		RMB'000	*RMB'000*
Non-current assets			
Investment properties		**52,875,060**	48,728,000
Property and equipment		**650,618**	672,523
Bank deposits		**39,485**	124,699
Interest in joint ventures		**4,057,032**	4,088,032
Deferred tax assets		**1,441,063**	2,197,318
Long-term receivables		**24,755**	–
		59,088,013	55,810,572
Current assets			
Properties under development and completed properties held for sale		**3,982,897**	8,586,751
Deposits and prepayments		**633,569**	2,218,668
Trade and other receivables	8	**675,884**	682,152
Bank deposits		**377,008**	396,601
Cash and cash equivalents		**12,061,801**	10,128,281
		17,731,159	22,012,453
Current liabilities			
Bank loans		**1,353,285**	2,760,194
Sales deposits		**337,270**	3,112,341
Trade and other payables	9	**4,620,667**	3,586,042
Taxation		**5,205,578**	9,792,825
		11,516,800	19,251,402
Net current assets		**6,214,359**	2,761,051
Total assets less current liabilities		**65,302,372**	58,571,623

Consolidated balance sheet (continued)
At 31 December 2014
(Expressed in Renminbi)

	Note	**2014**	2013
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans		**12,846,904**	8,285,990
Senior notes		**6,062,108**	6,024,175
Contract retention payables		**178,603**	472,304
Deferred tax liabilities		**5,750,771**	5,299,910
Derivative financial instruments		**4,018**	3,449
		24,842,404	20,085,828
NET ASSETS		**40,459,968**	38,485,795
CAPITAL AND RESERVES	10		
Share capital		**106,112**	107,868
Reserves		**39,257,039**	37,352,740
Total equity attributable to equity shareholders of the Company		**39,363,151**	37,460,608
Non-controlling interests		**1,096,817**	1,025,187
TOTAL EQUITY		**40,459,968**	38,485,795

Notes to the consolidated financial statements

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interests in joint ventures.

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

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

– investment properties;

– 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:

– Amendment to HKAS 32, 'Financial instruments: Presentation'

– Amendments to HKFRS 10, 12 and HKAS 27, 'Consolidation for investment entities'

– Amendment to HKAS 36, 'Impairment of assets'

– Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement'

– HK(IFRIC) 21, 'Levies'

– Annual improvements 2012

Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting. These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendments to HKFRS 10, 12 and HKAS 27, 'Consolidation for investment entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made on HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement'– 'Novation of derivatives'. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK(IFRIC) 21, 'Levies' is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Annual improvements 2012 address six issues in the 2010-2012 reporting cycle.

It includes changes to:

- HKFRS 2, 'Share-based payment'
- HKFRS 3, 'Business combinations'
- HKFRS 9, 'Financial instruments'
- HKAS 37, 'Provisions, contingent liabilities and contingent assets'
- HKAS 39, 'Financial instruments – Recognition and measurement'

These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards, only the above are effective for relevant transactions on or after 1 July 2014.

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:

	2014	2013
	RMB'000	*RMB'000*
Sale of property units	**5,674,440**	14,342,233
Rental income from investment properties	**423,648**	279,203
	6,098,088	14,621,436

(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 2014 and 2013 is set out below.

	Properties development		Properties investment		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Income statement items						
Reportable segment revenue	**5,674,440**	14,342,233	**423,648**	279,203	**6,098,088**	14,621,436
Cost of properties sold/cost of rental business	**(2,907,914)**	(6,492,042)	**(112,020)**	(15,635)	**(3,019,934)**	(6,507,677)
Reportable segment gross profit	**2,766,526**	7,850,191	**311,628**	263,568	**3,078,154**	8,113,759
Valuation gains on Investment properties	**–**	–	**3,125,477**	4,220,199	**3,125,477**	4,220,199
Operating Income/(expenses), net	**20,210**	21,376	**(30,981)**	56	**(10,771)**	21,432
Depreciation	**(31,495)**	(29,024)	**(347)**	(191)	**(31,842)**	(29,215)
Impairment of trade and other receivable	**(1,384)**	(51,610)	**–**	(9,304)	**(1,384)**	(60,914)
Financial income	**625,843**	481,879	**48,523**	16,096	**674,366**	497,975
Financial expense	**(61,747)**	(13,202)	**(78,469)**	(78,331)	**(140,216)**	(91,533)
Reportable segment profit before taxation	**2,969,649**	7,847,695	**3,320,483**	4,404,602	**6,290,132**	12,252,297
Income tax	**(1,546,563)**	(3,617,013)	**(966,682)**	(1,329,354)	**(2,513,245)**	(4,946,367)
Reportable segment profit	**1,423,086**	4,230,682	**2,353,801**	3,075,248	**3,776,887**	7,305,930
Balance sheet items						
Investment properties	**–**	–	**52,875,060**	48,728,000	**52,875,060**	48,728,000
Properties under development and completed properties held for sale	**3,982,897**	8,586,751	**–**	–	**3,982,897**	8,586,751
Cash and cash equivalents	**5,447,988**	5,670,154	**2,687,489**	3,095,434	**8,135,477**	8,765,588
Bank deposits	**384,695**	432,750	**31,798**	88,550	**416,493**	521,300
Bank loans	**–**	180,000	**5,919,703**	3,198,750	**5,919,703**	3,378,750
Reportable segment assets	**45,327,331**	34,385,236	**62,753,548**	44,678,511	**108,080,879**	79,063,747
Reportable segment liabilities	**26,532,761**	16,324,892	**24,516,871**	12,978,379	**51,049,632**	29,303,271
Additions to investment properties and property and equipment	**13,340**	19,655	**4,147,060**	10,418,000	**4,160,400**	10,437,655

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

	2014	2013
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**3,776,887**	7,305,930
Unallocated head office and corporate profit	**374,574**	130,151
Consolidated profit	**4,151,461**	7,436,081
Income tax		
Reportable segment income tax	**(2,513,245)**	(4,946,367)
Unallocated head office and corporate income tax	**(24,690)**	(87,937)
Consolidated income tax	**(2,537,935)**	(5,034,304)
Bank deposits		
Reportable segment bank deposits	**416,493**	521,300
Unallocated head office and corporate bank deposits	**–**	–
Consolidated bank deposits	**416,493**	521,300
Cash and cash equivalents		
Reportable segment cash and cash equivalents	**8,135,477**	8,765,588
Unallocated head office and corporate cash and cash equivalents	**3,926,324**	1,362,693
Consolidated cash and cash equivalents	**12,061,801**	10,128,281
Bank loans		
Reportable segment bank loans	**5,919,703**	3,378,750
Unallocated head office and corporate bank loans	**8,280,486**	7,667,434
Consolidated bank loans	**14,200,189**	11,046,184
Assets		
Reportable segment assets	**108,080,879**	79,063,747
Unallocated head office and corporate assets	**29,196,880**	27,868,475
Elimination of intra-group balances	**(60,458,587)**	(29,109,197)
Consolidated total assets	**76,819,172**	77,823,025
Liabilities		
Reportable segment liabilities	**51,049,632**	29,303,271
Unallocated head office and corporate liabilities	**45,759,131**	39,138,357
Elimination of intra-group balances	**(60,449,559)**	(29,104,398)
Consolidated total liabilities	**36,359,204**	39,337,230

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 2014 and 2013.

As at 31 December 2014, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB57,646,950,000 (2013: RMB52,729,683,000), the total of these non-current assets located in Hong Kong is RMB nil (2013: RMB123,370,000).

For the year ended 31 December 2014 and 2013, 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

	2014	2013
	RMB'000	*RMB'000*
Financial income		
Interest income	**707,742**	674,222
Net foreign exchange gain	**–**	132,980
	707,742	807,202
Financial expenses		
Interest on bank loans wholly repayable within five years	**579,946**	617,593
Interest on bank loans wholly repayable above five years	**95,437**	59,826
Interest expenses on the Convertible Bonds	**–**	172,861
Interest expenses on the Senior Notes	**397,208**	402,378
Less: Interest expense capitalised into properties under development*	**(812,038)**	(1,144,530)
	260,553	108,128
Net foreign exchange loss	**34,975**	–
Net loss on settlement of financial assets at fair value through profit or loss: Held for trading	**22,019**	3,654
Bank charges and others	**12,172**	13,698
	329,719	125,480

* The borrowing costs were capitalized at a rate of 4.91%~6.58% per annum (2013: 4.49%~6.77%).

(b) Staff costs

	2014	2013
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**242,162**	249,727
Contributions to defined contribution retirement plan	**15,333**	15,249
Equity-settled share-based payment expenses	**9,368**	8,799
	266,863	273,775

(c) Other gains – net

	Note	**2014**	2013
		RMB'000	*RMB'000*
Gain on disposal of subsidiaries		**256,678**	–
Gain on liquidation of subsidiaries	(i)	**348,418**	–
Loss on disposal of investment properties	(ii)	**(7,262)**	–
		597,834	–

(i) Certain subsidiaries were liquidated in the year of 2014, resulting in a net gain of RMB348,418,000, which all came from the exchange gain that reclassified from exchange reserve to profit and loss.

(ii) The Group completed the disposal of certain investment properties to Ctrip.com International Ltd. Shanghai Branch and its affiliates for a total consideration of approximately RMB3,050 million. The investment properties comprise premises of an aggregate sellable GFA of 100,167 sq.m. and certain auxiliary facilities. The net loss on disposal of RMB7,262,000 is recognised in the 'other gains – net'.

(d) Other items

	2014	2013
	RMB'000	*RMB'000*
Depreciation	**31,842**	29,215
Auditors' remuneration		
– audit services	**5,208**	5,543
– tax services	**349**	2,672
– other services	**278**	1,706
Rental income	**423,648**	279,203

5 GOVERNMENT GRANTS

The Group received total government grants of RMB nil (2013: RMB154,548,000) in relation to certain completed projects from the local finance bureaus pursuant to the regulations issued by the respective local governments.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2014	2013
	RMB'000	*RMB'000*
PRC Corporate Income Tax		
– Provision for the year	**502,204**	1,855,264
– Under provision in respect of prior years	**5,510**	7,740
Land Appreciation Tax	**823,105**	2,137,079
Deferred tax	**1,207,116**	1,034,221
	2,537,935	5,034,304

(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% (2013: 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:

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**6,689,396**	12,470,385
Income tax computed by applying the tax rate of 25% (2013: 25%)	**1,672,349**	3,117,596
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(205,776)**	(534,270)
Tax effect of unused tax losses not recognised	**198,090**	234,278
Reverse of withholding tax provided in prior year	**–**	(34,756)
Under-provision in prior years	**5,510**	7,740
Tax effect of non-deductible expenses	**26,355**	106,637
Utilisation of temporary differences not recognised in prior year	**105,801**	–
Non-taxable income	**(87,499)**	–
Provision for Land Appreciation Tax for the year	**823,105**	2,137,079
Actual tax expense	**2,537,935**	5,034,304

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 RMB4,079,831,000 (2013: RMB7,388,049,000) and the weighted average of 5,224,777,000 ordinary shares (2013: 4,952,995,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014	2013
	'000	*'000*
Issued ordinary shares at 1 January	**5,290,169**	5,112,616
Effect of share options exercised	**45**	926
Effect of shares repurchased and cancelled	**(56,987)**	(196,691)
Effect of treasury shares	**(9,423)**	(10,341)
Effect of Awarded Shares vested	**973**	662
Conversion of convertible bonds	**–**	45,823
Weighted average number of ordinary shares during the year	**5,224,777**	4,952,995

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB4,079,831,000 (2013: RMB7,560,910,000) and the weighted average of 5,228,432,000 ordinary shares (2013: 5,384,372,000), calculated as follows:

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

	2014	2013
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	**4,079,831**	7,388,049
After tax effect of effective interest on the liability component of the convertible bonds	**–**	172,861
Profit attributable to ordinary equity shareholders (diluted)	**4,079,831**	7,560,910

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

	2014	2013
	'000	*'000*
Weighted average number of ordinary shares	**5,224,777**	4,952,995
Effect of conversion of the Convertible Bonds	**–**	430,103
Effect of deemed issue of shares under the employee's share option schemes	**892**	1,274
Effect of deemed vesting of the Awarded Shares	**2,763**	–
Weighted average number of ordinary shares (diluted)	**5,228,432**	5,384,372

8 TRADE AND OTHER RECEIVABLES

	Note	**2014**	2013
		RMB'000	*RMB'000*
Trade receivables	(a)	**195,625**	149,176
Other receivables		**521,625**	572,958
Less: allowance for doubtful debts		**(41,366)**	(39,982)
		675,884	682,152

(a) Aging analysis

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

	2014	2013
	RMB'000	*RMB'000*
Current	**94,353**	36,474
Less than 1 month past due	**8,347**	19,752
Into 6 months past due	**2,089**	18,370
6 months to 1 year past due	**192**	12,024
More than 1 year past due	**90,644**	62,556
Amounts past due	**101,272**	112,702
	195,625	149,176

9 TRADE AND OTHER PAYABLES – THE GROUP

	Note	**2014**	2013
		RMB'000	*RMB'000*
Accrued expenditure on land and construction	(i)	**2,588,238**	1,824,778
Consideration payable for acquisition of subsidiaries and joint ventures		**100,000**	100,000
Amounts due to related parties		**731,654**	452,719
Others		**818,600**	702,940
Financial liabilities measured at mortised costs		**4,238,492**	3,080,437
Other tax payable	(ii)	**382,175**	505,605
		4,620,667	3,586,042

Notes:

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

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

	2014	2013
	RMB'000	*RMB'000*
Due within 1 month or on demand	**2,143,849**	1,333,232
Due after 1 month but within 3 months	**444,389**	491,546
	2,588,238	1,824,778

(ii) Other tax 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

	2014	2013
	RMB'000	*RMB'000*
Interim dividend declared and paid of RMB0.12 per ordinary share (2013: RMB0.12 per ordinary share)	**624,752**	582,428
Final dividend proposed after the balance sheet date of RMB0.13 per ordinary share (2013: RMB0.13 per ordinary share)	**675,938**	687,722
	1,300,690	1,270,150

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

	2014	2013
	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 (2013: RMB0.13 per ordinary share)	**684,570**	644,019

(b) Share capital and treasury shares

(i) Share capital

	Note	2014 No. of shares	2014 Share capital	2013 No. of shares	2013 Share capital
		(Share'000)	*RMB'000*	*(Share'000)*	*RMB'000*
Authorised:					
Ordinary shares of HKD0.02 each		**7,500,000**		7,500,000	
Issued and fully paid:					
At 1 January		**5,290,169**	**107,868**	5,112,616	106,029
Shares repurchased last year and cancelled this year		**–**	**–**	(22,300)	(432)
Shares repurchased and cancelled this year	(ii)	**(90,691)**	**(1,757)**	(264,861)	(5,129)
Shares issued under the employees' share option schemes		**45**	**1**	2,558	41
Conversion of convertible bonds		**–**	**–**	462,156	7,359
At 31 December		**5,199,523**	**106,112**	5,290,169	107,868

During the year ended 31 December 2014, options were exercised to subscribe for 45,000 ordinary shares (2013: 2,558,000) of the Company at consideration of RMB216,550 (2013: RMB11,983,000) of which RMB872 (2013: RMB41,000) was credited to share capital and the balance of RMB215,678 (2013: RMB11,942,000) was credited to share premium. RMB67,447 (2013: RMB3,729,000) has been transferred from capital reserve to share premium.

(ii) Shares repurchased and cancelled

During the year ended 31 December 2014, 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 2014	(12,918,000)	6.43	6.08	80,816
March 2014	(1,268,500)	6.22	5.88	7,719
April 2014	(13,762,500)	6.49	6.00	85,649
May 2014	(11,425,000)	6.32	5.98	70,363
June 2014	(43,291,000)	6.28	5.85	259,258
July 2014	(8,025,500)	6.19	6.08	49,470
	(90,690,500)			553,275

All the repurchased shares were cancelled during 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 1,813,810 (2013: HKD 5,743,230) was transferred from share premium to the capital redemption reserve.

(iii) Treasury shares

	2014		2013	
	No. of shares	**Share capital**	No. of shares	Share capital
	(Share'000)	***RMB'000***	*(Share'000)*	*RMB'000*
At 1 January	**9,252**	**39,932**	32,510	152,097
Shares repurchased and cancelled	**–**	**–**	(22,300)	(109,132)
Shares purchased for employees' share award scheme	**439**	**2,092**	231	1,212
Vesting of shares under employees' share award scheme	**(1,682)**	**(5,991)**	(1,189)	(4,245)
At 31 December	**8,009**	**36,033**	9,252	39,932

Details of treasury shares purchased during the year ended 31 December 2014 are as follows:

Month/year	**Number of shares repurchased**	**Average price Paid per share**	**Aggregate price paid**
	(Share'000)	*HKD*	*HKD'000*
June 2014	222	6.12	1,359
October 2014	217	5.93	1,284
	439		2,643

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

Exercise period	**Exercise price**	**2014**	2013
		Number	*Number*
30 January 2009 to 29 January 2014	HKD6.10	**–**	45,000
6 November 2013 to 5 November 2022	HKD5.53	**8,184,000**	8,184,000
		8,184,000	8,229,000

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

CHAIRMAN'S STATEMENT

Thanks to the strong balance sheet, efficient and transparent leasing system, solid and sound operational management, as well as the unremitting team efforts, SOHO China, as the leading landlord in the prime office market in China, has achieved continuous breakthroughs and advancements in all aspects of its business.

In 2014, SOHO China achieved a turnover of approximately RMB6,098 million with a gross profit margin of approximately 50%, and a net profit of approximately RMB4,080 million. Core net profit (excluding valuation gains on investment properties) was approximately RMB1,778 million, and core net profit margin was approximately 29%. As more investment properties were completed and delivered for leasing, the scale of lettable gross floor area ("GFA") grew and the rental income increased rapidly. SOHO China recorded rental income of approximately RMB424 million in 2014, representing an increase of approximately 52% year over year. The annual rental income of Qianmen Avenue project and SOHO Century Plaza increased by approximately 32% and 24% respectively compared with last year. Wangjing SOHO Tower 3, SOHO Fuxing Plaza and Sky SOHO, which were newly delivered during the Year, also started to make contribution to the rental income. At the end of 2014, the Company had total cash of approximately RMB12.5 billion with a net gearing ratio of only 19%. SOHO China has been adhering to prudent and counter-cycled acquisition discipline. In 2014, SOHO China did not make any land or project acquisition. On the contrary, we sold three projects in Shanghai through equity or assets transfer with a total consideration of approximately RMB8,282 million. In the medium to long run, we continue to see great value and asset appreciation potential for high quality office projects in the prime locations of Beijing and Shanghai, the two international metropolitan cities of China. We will gradually expand our asset portfolio as and when the opportunities arise.

With the completion of four investment properties in 2014, including Wanging SOHO Tower 3 and Guanghualu SOHO II in Beijing as well as SOHO Fuxing Plaza and Sky SOHO in Shanghai, the total GFA of our completed investment properties reached approximately 838,000 sq.m. as of 31 December 2014. It means that nearly half of the investment property portfolio on hand was completed and was made available for leasing. According to the construction schedule of the Company, we expect the remaining half of the investment property portfolio will be fully completed by the end of 2018. SOHO China will by then hold approximately 1.8 million square meters of commercial properties consisting of mainly office buildings in the prime locations of Beijing and Shanghai.

The vacancy rate of quality office buildings in Lujiazui area in Pudong, Shanghai was approximately 1.6% at the end of 2014. Thanks to the strong demand in the Lujiazui area, SOHO Century Plaza has been almost fully occupied throughout the year of 2014. By the end of 2014, the occupancy rate of Qianmen Avenue project reached approximately 76.2%. The strategy to attract high quality tenants which fits the positioning of the project remains unchanged. In addition, the leasing results of the newly completed Wangjing SOHO Tower 3 and SOHO Fuxing Plaza in 2014 were also very delightful. Wangjing SOHO Tower 3 was completed and delivered in September 2014 and was launched for pre-lease in late April

2014. As of 31 December 2014, the project with a total GFA of approximately 170,000 square meters achieved approximately 68.9% occupancy rate, with over 70% of the tenants of the project by GFA coming from high technology or internet industry. SOHO Fuxing Plaza, with a total GFA of approximately 137,000 square meters, was completed and delivered in September 2014. Its occupancy rate reached approximately 64.4% at the end of 2014. In November 2014, both Guanghualu SOHO II and Sky SOHO were completed and launched for leasing with good momentum. As of 31 December 2014, the occupancy rate of Guanghualu SOHO II and Sky SOHO were 6.0% and 7.3% respectively.

In terms of management and operation of investment properties, SOHO China established its unique innovative online leasing platform www.sohochinaleasing.com. We publicize all the leasing related information including rentals, leasable GFAs, delivery standards, samples of leasing contract, leasing tenure, payment terms, etc. through this online system. We believe that the open, transparent and standardized leasing platform will not only benefit our tenants but will also lay a solid foundation for the long-term development of the Company. First of all, the leasing system allows us to gain access to a much larger potential tenant base with domestic companies as the main targets. Secondly, it helps to boost the occupancy rates of our investment properties by improving the efficiency of the leasing work. We believe it is important to have buildings with high occupancy rates, as both potential retail and office tenants are attracted to buildings which already have a significant tenant population. Meanwhile, openness, transparency and standardization will also help the Company to substantially reduce the operational costs involved with leasing activities.

In 2014, demand in the office rental markets in Beijing and Shanghai was vigorous. Vacancy rates remained at historically low levels, while rental price levels increased steadily. According to market reports from Savills, at the end of 2014, the monthly rent of prime offices in Beijing was RMB317 per square meter, representing a year-on-year increase of 2.2%. The vacancy rate of Beijing was 4.8% at the end of 2014 which remained basically unchanged compared with last year. The monthly rent of prime offices in Shanghai was RMB262 per square meter at the end of 2014, representing a year-on-year increase of 1.8%. The vacancy rate was 8.6% at the end of 2014 which was largely unchanged compared to last year. Although the economic growth of China slowed down in 2014, SOHO China remained confident on the market outlook of prime office spaces in Beijing and Shanghai. We believe that new supply of office spaces will continue to emerge in both cities as the local economies develop. However, the demand for prime office spaces will also increase steadily over time. In particular, the scarcity of properties in the prime locations of Beijing and Shanghai will further support and enhance the asset value of such properties.

Over the past 30 years, China has experienced rapid growth, transforming from a planned economy to a market economy. The economic reform improved the quality of life for citizens. Nevertheless, as part of the economic development, massive construction projects have been carried out throughout the country and the level of industrialization has increased dramatically. These changes have created tremendous pressures on the environment, such as the deterioration of air quality and the decrease in fresh water reserves which have adversely affected the public health.

SOHO China has set very high standards for project design and innovation. We recruited world leading architects and built landmark buildings in both Beijing and Shanghai. Importantly, we have always emphasized on construction quality and have continued to improve the construction standards of our projects. Environmental quality is one of our most concerned matters. The Company integrated the concept of "Leadership in Energy and Environmental Design" ("LEED"), a world's leading green building certification system, into our construction projects long time ago. SOHO China currently has 12 registered or certified LEED projects, including the LEED-CS Gold Certification of SOHO Fuxing Plaza and Wangjing SOHO. LEED is a profound global evaluation system, which conducts a comprehensive evaluation of the impact of properties to the environment from six aspects, including sustainable project site, water efficiency, energy & atmosphere, material & resources, indoor environmental quality, design innovation and regional priority.

The issue of PM2.5 has become a concern to the whole society in China. We notice that people living in cities spend 90% of their time in indoor areas or in vehicles. As such, it would be beneficial if we can improve the air quality in the indoor areas. We first started to install PM2.5 air purification system in our project – Galaxy SOHO – in Beijing and this turned out to be a great success. Now, no matter what the outdoor air quality is, the indoor air quality of Galaxy SOHO is always better than the standard in the PRC and better than the standards in the U.S. during most of the time. Going forward, all projects developed by SOHO China will be equipped with PM2.5 filtration systems such that people working and living in SOHO China's properties can all enjoy healthy and clean air.

In recent year, another green initiative we undertook was the establishment of SOHO China Energy Conservation Center. Energy consumption is the root cause of air pollution. As a property developer, we can help controlling the energy consumption of our properties. SOHO China has achieved many breakthroughs in the area of energy saving in 2014. During the Year, we have established a full set of energy management system with leading technology, enormous database and comprehensive structure. Also, we formed a management team which composed of many internal departments including design, project construction and property management which has made continuous efforts to research, plan and implement the energy saving measures. Our goal is to save 30% of the energy consumption for each property project developed by SOHO China in the future. We believe that by reducing the energy consumption of our properties we will not only be able to achieve cost savings but can also help to protect our environment through addressing the root cause of pollution.

BUSINESS REVIEW

The following table summarizes certain details of our rental properties as of 31 December, 2014:

Status/ Completion Date	Project Name	City	Interests	Total planned GFA	Leasable GFA	Office	Retail	Hotel	Property Value December-2014
			%	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*	*RMB Million*
Completed	Qianmen Avenue Project	Beijing	100%	54,700	54,691		54,691		
Completed	SOHO Century Plaza	Shanghai	100%	59,000	42,954	42,522	432		
Completed	Wangjing SOHO T3	Beijing	100%	170,000	127,894	123,568	4,326		
Completed	Guanghualu SOHO II	Beijing	100%	166,000	95,906	64,032	31,874		
Completed	Sky SOHO	Shanghai	100%	171,500	128,128	102,964	25,164		
Completed	SOHO Fuxing Plaza	Shanghai	100%	137,000	88,328	57,039	31,289		
Completed	Others[1]	Beijing/ Shanghai	100%	80,000	62,349	23,888	38,461		
Under Development/ May-2015	Bund SOHO	Shanghai	90%	130,000	75,475	51,615	23,860		
Under Development/ August-2015	Hongkou SOHO	Shanghai	100%	96,000	65,069	60,729	4,340		
Under Development/ November-2016	SOHO Tianshan Plaza	Shanghai	100%	170,000	111,684	72,643	15,139	23,902	
Under Development/ 2018	SOHO Leeza	Beijing	100%	170,000	124,000				
Under Development/ 2018	Gubei Project	Shanghai	100%	150,000	105,476				
Subtotal:				1,554,200	1,081,954				52,875
Joint-Controlled Entity/2015	8-1 Project	Shanghai	50%	213,000	145,485				
Completed	Commune by the Great Wall	Beijing	100%	30,714	30,714			30,714	
Total				1,797,914	1,258,153				

Note:

1. Others include office and retail spaces we hold in three projects: Galaxy SOHO, Wangjing SOHO Towers 1 and 2, and The Exchange SOHO.

The details of rental income and occupancy rates of rental properties of the Company in 2014 as follows:

Project Name	Completion Date	Leasable GFA	Rental Income 2014	Rental Income 2013	YoY Change	Occupancy Rate 31 December 2014	Occupancy Rate 31 December 2013
		sq.m.	*RMB Million*	*RMB Million*	%	%	%
Qianmen Avenue Project	2010/2012	35,317	108	82	31.7%	76.2%	65.4%
SOHO Century Plaza	2012	42,954	108	87	24.1%	94.5%	99.0%
Wangjing SOHO Tower 3	September 2014	127,894	48	N/A	N/A	68.9%	N/A
SOHO Fuxing Plaza	September 2014	88,328	31	N/A	N/A	64.4%	N/A
Sky SOHO	November 2014	128,128	2	N/A	N/A	7.3%	N/A
Guanghualu SOHO II	November 2014	95,906	N/A	N/A	N/A	6.0%	N/A
Others[1]		63,390	127	110	15.5%		
Total		**581,917**	**424**	**279**	**51.7%**		

Note: 1. Others represent unsold units of projects previously developed by the Company.

Completed Properties

Qianmen Avenue project

Qianmen Avenue project is located in the Qianmen area immediately south of Tiananmen Square, within one of the largest 'Hutong' (traditional Beijing courtyards) conservation areas in Beijing. We have the right to retail space of approximately 54,691 sq.m., of which approximately 35,317 sq.m. is currently available for lease. We hold Qianmen Avenue project as an investment property in our investment holdings portfolio with the aim to continue to develop it into a premier "tourist destination" known throughout China and other Asian countries.

We have successfully repositioned and upgraded the tenant base of Qianmen Avenue project with the introduction of many well-known international and local brands. The current well-known brands include, among others, Samsung, Lenovo, Korea's CJ Group and Madame Tussaud's Wax Museum.

As of 31 December 2014, the occupancy rate of Qianmen Avenue project was 76.2%.

SOHO Century Plaza

The project is the first completed office building wholly-owned by the Group in Shanghai as an investment property. The project is almost 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 on Century Avenue in Zhu Yuan business district of Pudong District in Shanghai. The project is close to the Lujiazui financial district and is 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 of walking distance to Pudian Road Station on subway line 4 and within eight minutes of 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.

Wangjing SOHO

Designed by Zaha Hadid Architects, Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing consisting of a total GFA of approximately 520,000 sq.m. and a total sellable/leasable GFA of approximately 417,358 sq.m.. The project comprises three towers (Towers 1, 2 and 3).

Towers 1 and 2 were completed at the end of 2013 and had been largely fully sold and booked by the end of 2014. Tower 3 was completed in September 2014. The Group commenced pre-leasing of Tower 3 in late-April of 2014, and as of 31 December 2014, the occupancy rate reached 68.9%.

The Wangjing area where Wangjing SOHO is located in is one of Beijing's most well-developed high-end residential areas which noticeably lacks large-scale office and commercial facilities. Upon full completion of Wangjing SOHO in 2014, the project has significantly enhanced and balanced the overall urban make-up of the Wangjing area. The tallest building of the project, with a construction height of nearly 200 meters, is the first landmark and a point of access to central Beijing from the airport expressway. Currently, Wangjing area is also home to the China headquarters of many prestigious multinational companies such as Daimler, Siemens, Microsoft, and Caterpillar.

SOHO Fuxing Plaza

SOHO Fuxing Plaza is situated on 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. It comprises a 27-stories office building and four podium structures, thereby combining Grade A office space with commercial facilities.

SOHO Fuxing Plaza was completed in September 2014. As of 31 December 2014, the occupancy rate of the project was 64.4%.

Sky SOHO

Sky SOHO was completed in November 2014. As of 31 December 2014, the occupancy rate of Sky SOHO was 7.3%.

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

On 29 September 2014, we entered into a Framework Agreement with Ctrip Shanghai and Ctrip Affiliates in relation to the sale of certain premises in Sky SOHO with an aggregate sellable GFA of approximately 100,167 sq.m. and certain auxiliary facilities for a total consideration of approximately RMB3.05 billion (equivalent to approximately US$0.49 billion). The Group will hold the remaining parts of Sky SOHO as investment properties.

Guanghualu SOHO II

Guanghualu SOHO II is located at the heart of the Beijing Central Business District, close to subway line 1 and line 10. The area is the most mature business district in Beijing, which hosts 70% of the city's foreign enterprises.

The project is comprised of five mixed-use office and commercial buildings.

Guanghualu SOHO II was completed in November 2014. As of 31 December 2014, the occupancy rate of the project was 6.0%.

Properties under development

Bund SOHO

Bund SOHO is located on the exclusive strip of land in Shanghai referred to as the Bund. Bund SOHO is framed by Yong'an Road to the west, Xin Yong'an Road to the north, East Second Zhong Shan Road to the east, and Xinkaihe Road and Renmin Road to the south. Bund SOHO is located very close to Shanghai's famous City God Temple and next to the Bund's multi-dimensional transportation hub and yacht wharf. The project is currently under construction and is expected to be completed in May 2015. We intend to hold Bund SOHO as investment property.

Hongkou SOHO

Hongkou SOHO is located in the most developed area of the Sichuan North Road commercial district, one of the three largest commercial districts in Shanghai. It is situated at Sichuan North Road Station on metro line 10 and is within 300 meters of Baoshan Road Station, the interchange station for metro lines 3 and 4. The project is currently under construction and is expected to be completed in August 2015. The Group intends to hold Hongkou SOHO as an investment property.

SOHO Tianshan Plaza

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

The project is currently under construction and is expected to be completed in 2016. We intend to hold SOHO Tianshan Plaza as an investment property.

SOHO Leeza

SOHO Leeza is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is adjacent to the planned metro lines 14 and 16. Located between Beijing's Western 2nd and 3rd 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 increased demand arising from the continued expansion of financial companies around the current Financial Street area.

We acquired the land use right for SOHO Leeza project through a successful bid of RMB1.922 billion in September 2013. Lize Business District is currently home to hundreds of financial institutions and large corporations, including financial companies 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 for the project have already commenced, and we expect the construction of SOHO Leeza to be completed in 2018. The Group intends to hold SOHO Leeza as an investment property.

Gubei Project

The land for the Gubei Project is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District.

We acquired the land use right to this parcel of land through a successful bid of RMB3.19 billion made in April 2013. 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 of the project have already commenced. The construction of the Gubei Project is expected to be completed in 2018. After completion, the project will be accessible underground from Yili Station subway line 10, and will be in close proximity to the Gubei Takashimaya shopping mall, Gubei Fortune Plaza, and other Grade A office buildings. We intend to hold the Gubei Project as an investment property.

The Bund 8-1 Land

As of 31 December 2014, the Group indirectly, through Shanghai Haizhimen Property Investment Management Co., Ltd., holds 50% equity interest of the project company of the Bund 8-1 Land. The project is currently under construction.

The land for Bund 8-1 is located between Yuyuan Garden and the Shiliupu Expo water gate in Shanghai's Huangpu District, in close proximity to Shanghai's Bund transportation hub and also our Bund SOHO project. Set on the bank of the Huangpu River, the Bund 8-1 land possesses a rare view of the Huangpu River's waterfront scenery and also faces Pudong's Shanghai World Financial Center and Jinmao Tower across the river.

Sales of Project Interests

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 the entire interests of SOHO Hailun Plaza and SOHO Jing'an Plaza for a total consideration of approximately RMB5.23 billion.

On 26 September 2014, the Group entered into a framework agreement with Ctrip Shanghai and Ctrip Affiliates in relation to the sale of certain premises in Sky SOHO with an aggregate sellable GFA of approximately 100,167 sq.m. and certain auxiliary facilities for a total consideration of approximately RMB3.05 billion.

The above transactions will benefit the Group by increasing its cash reserve as the Group continues to monitor the market for opportunities to acquire high-quality assets at prime locations in Beijing and Shanghai.

FINANCIAL REVIEW

Property development

Turnover in 2014 was approximately RMB6,098 million, representing a decrease of approximately RMB8,523 million or approximately 58% as compared with approximately RMB14,621 million in 2013. This was mainly attributable to the change of the Company's business model from "build-to-sell" to "build-and-hold". Turnover for the Period mainly came from Wangjing SOHO, Galaxy SOHO and SOHO Zhongshan Plaza, etc.

Property lease

Rental income in 2014 was approximately RMB424 million, representing an increase of approximately RMB145 million or approximately 52% as compared with approximately RMB279 million in 2013. This was attributable to the higher average occupancy rate of Qianmen Avenue Project and SOHO Century Plaza as compared to 2013, and the contribution from newly completed Wangjing SOHO Tower 3, SOHO Fuxing Plaza and Sky SOHO during the Year.

Profitability

Gross profit for 2014 was approximately RMB3,078 million, representing a decrease of 62% as compared with approximately RMB8,114 million in 2013. Gross profit margin for the Period was approximately 50% (2013: 55%).

Profit before taxation for 2014 was approximately RMB6,689 million, representing a decrease of approximately 46% as compared with approximately RMB12,470 million in 2013. The decrease in profit before taxation was mainly due to the change of the Company's business model which led to a reduction in property sales.

Net profit attributable to the equity shareholders of the Company for 2014 was approximately RMB4,080 million, representing a decrease of approximately 45% as compared with 2013. Core net profit, excluding valuation gains on investment properties, was approximately RMB1,778 million, representing a decrease of approximately 60% as compared with 2013. Core net profit margin for 2014 was approximately 29%, which is similar to the 30% in 2013.

Cost control

Selling expenses for 2014 was approximately RMB200 million, representing a decrease of 46% as compared with approximately RMB373 million in 2013, due to the reduction of property sales during the Period.

Administrative expenses for 2014 was approximately RMB278 million, representing a decrease of 20% as compared with approximately RMB348 million in 2013, due to the reduction in salaries of employees.

Financial income and expenses

Financial income for 2014 was approximately RMB708 million, representing 6.1% of the average cash and deposits balance in 2014 as compared with 4.9% in 2013. The increase was mainly attributable to the enhanced return from cash management during the Year.

Financial expenses for 2014 were approximately RMB330 million, representing an increase of approximately RMB204 million compared to that in 2013. The increase was due to less amount of interest expenses being capitalized during the Period.

Valuation gains on investment properties

Valuation gains on investment properties for 2014 were approximately RMB3,125 million, mainly contributed by the valuation gains from investment properties completed during the Period.

Income tax

Income tax of the Group for 2014 comprised the PRC Corporate Income Tax, the Land Appreciation Tax and Deferred Tax. The PRC Corporate Income Tax for the Period was approximately RMB508 million, representing a decrease of approximately RMB1,355 million as compared with approximately RMB1,863 million in 2013. Land Appreciation Tax for the Period was approximately RMB823 million, representing a decrease of approximately RMB1,314 million as compared with approximately RMB2,137 million in 2013. Deferred Tax for the Period was approximately RMB1,207 million, representing an increase of RMB173 million as compared with approximately RMB1,034 million in 2013.

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").

As of 31 December 2014, the bank loans of the Group were approximately RMB14,200 million, of which approximately RMB1,353 million are due within one year, approximately RMB1,924 million are due after one year but within two years, approximately RMB10,288 million are due after two years but within five years and approximately RMB635 million area due after five years. As of 31 December 2014, bank loans of approximately RMB14,200 million of the Group were collateralized by the Group's land use rights, properties, restricted bank deposits and shares of certain subsidiaries or guaranteed by certain subsidiaries of the Group.

As of 31 December 2014, the Group had Senior Notes and bank loans of approximately RMB20,262 million, equivalent to approximately 26% of the total assets (31 December 2013: 22%). Net debt (bank loans + Senior Notes – cash and cash equivalents and bank deposits) to total equity ratio was approximately 19% as of 31 December 2014. (31 December 2013: 17%).

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 the fluctuations in exchange rate. In September 2013, 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 of 31 December 2014, the Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans provided to buyers of property units. The amount of guaranteed mortgage loans relating to such agreements was approximately RMB6,433 million as of 31 December 2014 (approximately RMB6,339 million as of 31 December 2013).

There is no change of the status of the litigation with regard to the Bund 8-1 projects from the statement disclosed in the result announcement of the Company for the year ended 31 December 2013 published on 4 March 2014.

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 and proceedings cannot be determined at present, the Board believes 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 of 31 December 2014, the Group's total capital commitments for properties under development was approximately RMB6,209 million (approximately RMB7,131 million as of 31 December 2013). The amount mainly comprised the contracted and the authorised but not contracted development cost of the existing projects.

Employees and Remuneration Policy

As of 31 December 2014, the Group had 2,735 employees, including 255 employees for Commune by the Great Wall and 2,083 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 by the Company 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 had granted shares of the Company (the "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 2014 (2013: RMB0.13), the payment of which is subject to the approval of the shareholders of the Company at the AGM to be held on Thursday, 30 April 2015. The Group has already paid an interim dividend of RMB0.12 per Share.

Share Capital

As of 31 December 2014, the Company had 5,199,524,031 Shares in issue (31 December 2013: 5,290,169,531 Shares).

Closure of register of members

The register of members of the Company will be closed from Friday, 24 April 2015 to Thursday, 30 April 2015 (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 p.m. on Thursday, 23 April 2015.

The register of members of the Company will also be closed from Thursday, 7 May 2015 to Monday, 11 May 2015 (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 p.m. on Wednesday, 6 May 2015.

Purchase, sale or redemption of listed securities of the Company

During the Period, the Company repurchased on the Stock Exchange a total of 90,690,500 Shares at a total consideration of approximately HKD551,850,895. All the Shares repurchased by the Company during the Period had been cancelled. In addition, the trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 438,500 Shares at a total consideration of approximately HKD2,643,135 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Period.

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 of 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 2014 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, 6 March 2015

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