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 2016

- Achieved turnover of approximately RMB1,577 million, representing an increase of approximately 58% year over year; and achieved rental income of approximately RMB1,511 million, representing an increase of approximately 44% year over year.
- Gross profit margin was approximately 79%, further improved from 74% in 2015.
- Achieved net profit attributable to equity shareholders of the Company of approximately RMB910 million, representing an increase of approximately 69% year over year.
- The Group achieved approximately 96% average occupancy for all investment properties under lease at the end of 2016.
- SOHO 3Q is the largest shared office in Beijing and Shanghai. As at 31 December 2016, the Group has opened 17 SOHO 3Q centers in Beijing and Shanghai, and achieved approximately 85% average occupancy.
- To optimize the debt structure and minimize foreign exchange risk, the Group prepaid offshore debts in an aggregate principal value of approximately US$1,420 million, thus reducing the foreign currency borrowing to approximately 7% of the total debt as at 31 December 2016 from approximately 56% as at 31 December 2015.
- At the end of 2016, ratio of net debt to equity attributable to owners of the Company was approximately 32%, and funding cost was decreased to approximately 4.4%.

- On 29 July 2016, the Group entered into an agreement to dispose of its entire ownership interest in SOHO Century Plaza. The total sales amount (including value-added tax) was approximately RMB3,297 million, implying an approximately 21% premium over the revalued book value as at 30 June 2016.

- The Board recommended the declaration and payment of a Special Dividend of RMB0.346 per Share.

The board (the "Board") of directors (the "Director(s)") of SOHO China Limited (the "Company", "we" or "SOHO China") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year"), which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2016 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 23 March 2017.

During the Year, the Group achieved turnover of approximately RMB1,577 million, representing an increase of approximately 58% year over year, and the gross profit margin of the Group was approximately 79%. Net profit attributable to equity shareholders of the Company for the Year was approximately RMB910 million, representing an increase of approximately 69% year over year. During the Year, the Group incurred extraordinary finance expenses of approximately RMB360 million in relation to prepayment of offshore debts.

On 17 August 2016, the Board recommended the declaration and payment of a special dividend of RMB0.19 per share (the "Share(s)") to the shareholders (the "Shareholder(s)") of the Company which has been approved by Shareholders at the extraordinary general meeting of the Company held on 27 September 2016. The Board recommended the declaration and payment of a special divided of RMB0.346 per Share (the "Special Dividend") to the Shareholders which is subject to Shareholders' approval at the annual general meeting of the company to be held on Friday, 26 May 2017 (the "AGM").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

(Expressed in Renminbi)

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Turnover	3	**1,577,215**	995,165
Cost of sales	4	**(334,717)**	(261,248)
Gross profit		**1,242,498**	733,917
Valuation gains on investment properties		**1,270,367**	204,053
Other gains – net	5	**501,348**	1,238,003
Other revenue and income		**385,007**	408,462
Selling expenses	4	**(62,037)**	(69,413)
Administrative expenses	4	**(264,506)**	(250,859)
Other operating expenses	4	**(369,248)**	(298,545)
Operating profit		**2,703,429**	1,965,618
Finance income	6	**121,195**	380,485
Finance expenses	6	**(820,525)**	(926,911)
Share of results of joint venture		**(4,749)**	(11,724)
Profit before income tax		**1,999,350**	1,407,468
Income tax expense	7	**(1,090,610)**	(843,996)
Profit for the year		**908,740**	563,472
Profit attributable to:			
Owners of the Company		**910,232**	537,632
Non-controlling interests		**(1,492)**	25,840
Profit for the year		**908,740**	563,472
Earnings per share (expressed in RMB per share)	8		
Basic earnings per share		**0.175**	0.104
Diluted earnings per share		**0.175**	0.104

CONSOLIDATED BALANCE SHEET
At 31 December 2016
(Expressed in Renminbi)

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Assets			
Non-current assets			
Investment properties		**55,087,000**	55,004,000
Property and equipment		**795,939**	843,691
Bank deposits		**338,764**	354,689
Intangible assets		**6,393**	8,063
Interest in joint ventures		**6,277**	11,026
Deferred income tax assets		**1,572,908**	1,439,106
Trade and other receivables	*9*	**286,701**	53,494
Deposits and prepayments		**169,133**	–
		58,263,115	57,714,069
Current assets			
Properties under development and completed properties held for sale		**4,226,843**	4,204,072
Deposits and prepayments		**315,484**	455,155
Trade and other receivables	*9*	**478,258**	801,209
Bank deposits		**258,100**	251,600
Cash and cash equivalents		**3,864,045**	8,405,967
		9,142,730	14,118,003
Total assets		**67,405,845**	71,832,072
Equity and liabilities			
Equity attributable to owners of the Company	*11*		
Share capital		**106,112**	106,112
Other reserves		**34,432,900**	36,493,759
		34,539,012	36,599,871
Non-controlling interests		**1,108,665**	1,122,657
Total equity		**35,647,677**	37,722,528

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 December 2016

(Expressed in Renminbi)

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings		**9,491,838**	14,345,757
Corporate bonds		**2,989,123**	–
Senior notes		**–**	1,614,493
Contract retention payables		**123,173**	135,346
Deferred income tax liabilities		**6,340,927**	6,001,871
Derivative financial instruments		**–**	4,965
		18,945,061	22,102,432
Current liabilities			
Bank borrowings		**2,954,963**	1,921,483
Rental and sales deposits		**302,948**	320,222
Trade and other payables	*10*	**3,923,376**	4,578,666
Current income tax liabilities		**5,631,820**	5,186,741
		12,813,107	12,007,112
Total liabilities		**31,758,168**	34,109,544
Total equity and liabilities		**67,405,845**	71,832,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2016 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 assets at fair value through profit or loss; and

– derivative financial instruments.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern

As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB3,670,377,000. The directors of the Company have considered the Group's available sources of funds as follows:

- Unutilised banking facilities as at 31 December 2016 and the newly acquired bank loan in January 2017, totally amounting to approximately RMB6,760,709,000; and

- Other available sources of financing from banks and other financial institutions given the Group's credit history.

The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future, and therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11;
- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38;
- Annual improvements to HKFRSs 2012 – 2014 cycle; and
- Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- equity instruments currently classified as AFS for which a FVOCI election is available;
- equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and

- rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16, 'Leases' will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 SEGMENT INFORMATION

(a) Segment reporting

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

(i) Properties development

This segment includes projects which are held for sale.

(ii) Properties investment

This segment includes projects which are held for rental.

(b) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Management is provided with segment information concerning turnover, cost of properties sold, cost of rental business, gross profit, valuation gains on investment properties, net operating expenses, depreciation and amortization, impairment loss reversed/(recognized) for trade and other receivables, finance income, finance expenses, income tax expenses, investment properties, properties under development and completed properties held for sale, cash and cash equivalents, bank deposits, bank borrowings, and additions to investment properties and property and equipment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	Properties development		Properties investment		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Income statement items						
Reportable segment revenue	**66,649**	(57,333)	**1,510,566**	1,052,498	**1,577,215**	995,165
Cost of properties sold/cost of rental business	**(28,750)**	(6,267)	**(305,967)**	(254,981)	**(334,717)**	(261,248)
Reportable segment gross profit/(loss)	**37,899**	(63,600)	**1,204,599**	797,517	**1,242,498**	733,917
Valuation gains on Investment properties	**–**	–	**1,270,367**	204,053	**1,270,367**	204,053
Operating (expenses)/income, net	**(131,969)**	100,398	**66,988**	63,944	**(64,981)**	164,342
Depreciation and amortization	**(48,574)**	(35,688)	**(7,366)**	(7,731)	**(55,940)**	(43,419)
Impairment loss reversed/(recognized) for trade and other receivables	**1,500**	–	**–**	(20,278)	**1,500**	(20,278)
Finance income	**29,347**	74,291	**74,211**	233,149	**103,558**	307,440
Finance expense	**(10,406)**	(9,888)	**(359,554)**	(367,181)	**(369,960)**	(377,069)
Reportable segment (loss)/profit before taxation	**(97,912)**	187,864	**2,483,270**	677,334	**2,385,358**	865,198
Income tax expense	**(44,156)**	(154,352)	**(1,000,067)**	(306,992)	**(1,044,223)**	(461,344)
Reportable segment (loss)/profit	**(142,068)**	33,512	**1,483,203**	370,342	**1,341,135**	403,854
Balance sheet items						
Investment properties	**–**	–	**55,087,000**	55,004,000	**55,087,000**	55,004,000
Properties under development and completed properties held for sale	**4,226,843**	4,204,072	**–**	–	**4,226,843**	4,204,072
Cash and cash equivalents	**127,306**	53,924	**3,510,612**	4,622,257	**3,637,918**	4,676,181
Bank deposits	**551,758**	547,924	**45,106**	58,365	**596,864**	606,289
Bank borrowings	**–**	–	**11,429,402**	7,907,937	**11,429,402**	7,907,937
Reportable segment assets	**21,692,347**	19,285,189	**90,752,115**	83,519,676	**112,444,462**	102,804,865
Reportable segment liabilities	**16,433,407**	13,837,247	**36,945,714**	31,444,404	**53,379,121**	45,281,651
Additions to investment properties and property and equipment	**5,983**	5,827	**2,827,400**	2,360,030	**2,833,383**	2,365,857

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

	2016	2015
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**1,341,135**	403,854
Unallocated head office and corporate (loss)/profit	**(432,395)**	159,618
Consolidated profit	**908,740**	563,472
Income tax		
Reportable segment income tax	**(1,044,223)**	(461,344)
Unallocated head office and corporate income tax	**(46,387)**	(382,652)
Consolidated income tax	**(1,090,610)**	(843,996)
Bank deposits		
Reportable segment bank deposits	**596,864**	606,289
Consolidated bank deposits	**596,864**	606,289
Cash and cash equivalents		
Reportable segment cash and cash equivalents	**3,637,918**	4,676,181
Unallocated head office and corporate cash and cash equivalents	**226,127**	3,729,786
Consolidated cash and cash equivalents	**3,864,045**	8,405,967
Bank borrowings		
Reportable segment bank borrowings	**11,429,402**	7,907,937
Unallocated head office and corporate bank borrowings	**1,017,399**	8,359,303
Consolidated bank borrowings	**12,446,801**	16,267,240
Assets		
Reportable segment assets	**112,444,462**	102,804,865
Unallocated head office and corporate assets	**16,481,588**	20,880,985
Elimination of intra-Group balances	**(61,520,205)**	(51,853,778)
Consolidated total assets	**67,405,845**	71,832,072
Liabilities		
Reportable segment liabilities	**53,379,121**	45,281,651
Unallocated head office and corporate liabilities	**39,880,447**	40,664,322
Elimination of intra-Group balances	**(61,501,400)**	(51,836,429)
Consolidated total liabilities	**31,758,168**	34,109,544

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 2016 and 2015.

As at 31 December 2016, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB56,064,742,000 (2015: RMB55,866,780,000), the total of these non-current assets located in Hong Kong is RMB nil (2015: RMB nil).

For the year ended 31 December 2016 and 2015, the Group does not have any single customer with the transaction value over 10% of the total external sales.

4 EXPENSE BY NATURE

	2016	2015
	RMB'000	*RMB'000*
Business tax and other levies	**303,385**	323,778
Employee benefits expense	**219,183**	246,149
Surcharge for overdue tax payment	**130,542**	–
Utilities expenses	**63,289**	49,620
Property management expenses	**56,828**	53,296
Depreciation and amortization	**55,940**	43,419
Office expenses	**50,516**	37,522
Rental commission	**49,813**	27,320
Advertising and marketing expenses	**43,979**	50,159
Costs of properties sold	**28,750**	6,267
Legal service expenses	**9,690**	7,382
Auditors' remuneration		
– Audit services	**4,681**	5,205
– Non-audit services	**823**	1,410
Impairment loss (reversed)/recognized for trade and other receivables	**(1,500)**	20,278
Other expenses	**14,589**	8,260
Total cost of sales, selling expenses, administrative expenses and other operating expenses	**1,030,508**	880,065

5 OTHER GAINS – NET

	Note	**2016**	2015
		RMB'000	*RMB'000*
Gains on disposal of investment properties	*(i)*	**501,348**	–
Gains on disposal of subsidiaries		**–**	114,728
Gains on liquidation of subsidiaries		**–**	72,323
Gains on disposal of a joint venture		**–**	1,050,952
		501,348	1,238,003

(i) As at 29 July 2016, the Group completed the disposal of one investment properties, SOHO Century Plaza, to Guo Hua Life Insurance Co.,Ltd. for a total consideration of approximately RMB3,221,581,000. The net gain on disposal of RMB501,073,000 is recognized in the 'other gains – net'.

6 FINANCE INCOME AND FINANCE EXPENSES

	2016	2015
	RMB'000	*RMB'000*
Finance income		
Interest income	**121,195**	380,485
	121,195	380,485
Finance expenses		
Interest on bank borrowings	**836,908**	783,874
Interest expenses on the senior notes	**260,616**	553,727
Interest expenses on the corporate bonds	**101,041**	–
Less: Interest expense recognized into investment properties under development*	**(396,371)**	(477,509)
	802,194	860,092
Net foreign exchange losses	**2,242**	36,550
Net losses on settlement of financial assets at fair value through profit or loss: Held for trading	**15,185**	21,377
Bank charges and others	**904**	8,892
	820,525	926,911

* The borrowing costs were capitalized at a rate of 4.51% ~ 4.90% per annum (2015: 4.90% ~ 6.58%).

7 INCOME TAX EXPENSE

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

	2016	2015
	RMB'000	*RMB'000*
PRC Corporate Income Tax		
– Provision for the year	**546,445**	488,592
– Under provision in respect of prior years	**26,769**	29,113
Land Appreciation Tax	**312,142**	73,234
Deferred tax	**205,254**	253,057
	1,090,610	843,996

(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% (2015: 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 50%.

(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:

	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**1,999,350**	1,407,468
Income tax computed by applying the tax rate of 25% (2015: 25%)	**499,838**	351,867
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(78,036)**	(18,309)
Tax losses not recognised	**18,849**	72,343
Under-provision in prior years	**26,769**	29,113
Tax effect of non-deductible expenses	**287,298**	353,829
Non-taxable income	**–**	(18,081)
Provision for Land Appreciation Tax for the year	**312,142**	73,234
Dividend withholding tax	**23,750**	–
Actual tax expense	**1,090,610**	843,996

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB910,232,000 (2015: RMB537,632,000) and the weighted average of 5,192,502,000 ordinary shares (2015: 5,192,476,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
	Share '000	*Share '000*
Issued ordinary shares at 1 January	**5,199,524**	5,199,524
Effect of treasury shares	**(7,610)**	(8,157)
Effect of the awarded shares vested	**588**	1,109
Weighted average number of ordinary shares during the year	**5,192,502**	5,192,476

(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 RMB910,232,000 (2015: RMB537,632,000) and the weighted average of 5,192,556,000 ordinary shares (2015: 5,194,068,000), calculated as follows:

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

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	**910,232**	537,632
Profit attributable to ordinary equity shareholders (diluted)	**910,232**	537,632

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

	2016 *Share '000*	2015 *Share '000*
Weighted average number of ordinary shares	**5,192,502**	5,192,476
Effect of deemed vesting of the awarded shares	**54**	1,592
Weighted average number of ordinary shares (diluted)	**5,192,556**	5,194,068

9 TRADE AND OTHER RECEIVABLES

	Note	2016 *RMB'000*	2015 *RMB'000*
Trade receivables	*(a)*	**221,805**	255,848
Other receivables		**603,298**	660,499
Less: allowance for doubtful debts		**(60,144)**	(61,644)
		764,959	854,703
Less: non-current portion		**(286,701)**	(53,494)
Current portion		**478,258**	801,209

(a) Aging analysis

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

	2016 *RMB'000*	2015 *RMB'000*
Current	**96,800**	89,108
Less than 1 month past due	**30,431**	26,191
Into 6 months past due	**9,131**	45,805
6 months to 1 year past due	**600**	3,732
More than 1 year past due	**84,843**	91,012
Amounts past due	**125,005**	166,740
	221,805	255,848

10 TRADE AND OTHER PAYABLES

	Note	2016 *RMB'000*	2015 *RMB'000*
Accrued expenditure on construction	*(i)*	**1,819,899**	2,402,210
Consideration payable for acquisition of subsidiaries and joint ventures		**100,000**	100,000
Amounts due to related parties		**814,382**	814,382
Others		**1,072,401**	883,041
Financial liabilities measured at amortised costs		**3,806,682**	4,199,633
Other tax payable	*(ii)*	**116,694**	379,033
		3,923,376	4,578,666

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

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

	2016	2015
	RMB'000	*RMB'000*
Due within 1 month or on demand	**1,763,007**	2,355,022
Due after 1 month but within 3 months	**56,892**	47,188
	1,819,899	2,402,210

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

11 Capital, reserves and dividends

(a) Dividends

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

	2016	2015
	RMB'000	*RMB'000*
Special dividend declared and paid of RMB0.19 per ordinary share (2015: RMB0.348 per ordinary share)	**987,910**	1,809,434
Special dividend proposed after the balance sheet date of RMB0.346 per ordinary share (2015: RMB0.348 per ordinary share)	**1,799,035**	1,809,434
	2,786,945	3,618,868

The special 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

	2016	2015
	RMB'000	*RMB'000*
Special dividend in respect of the previous financial year, approved and paid during the year of RMB0.348 per ordinary share (2015: RMB nil per ordinary share)	**1,809,434**	–
Final dividend in respect of the previous financial year, approved and paid during the year of RMB nil per ordinary share (2015: RMB0.13 per ordinary share)	**–**	675,765
	1,809,434	675,765

(b) Share capital and treasury shares

(i) Share capital

	2016		2015	
	No. of shares	**Share capital**	No. of shares	Share capital
	Share '000	***RMB'000***	*Share '000*	*RMB'000*
Authorised:				
Ordinary shares of HKD0.02 each	**7,500,000**		7,500,000	
Issued and fully paid:				
At 1 January	**5,199,524**	**106,112**	5,199,524	106,112
At 31 December	**5,199,524**	**106,112**	5,199,524	106,112

During the year ended 31 December 2016, no option was exercised to subscribe for ordinary shares of the Company (2015: nil).

(ii) Treasury shares

	2016		2015	
	No. of shares	**Share capital**	No. of shares	Share capital
	Share '000	***RMB'000***	*Share '000*	*RMB'000*
At 1 January	**7,122**	**32,338**	8,009	36,033
Shares purchased for employees' share award scheme	**1,131**	**3,636**	1,064	3,357
Vesting of shares under employees' share award scheme	**(1,360)**	**(5,248)**	(1,951)	(7,052)
At 31 December	**6,893**	**30,726**	7,122	32,338

Details of treasury shares purchased during the year ended 31 December 2016 are as follows:

Month/year	**Number of shares Repurchased**	**Average price Paid per share**	**Aggregate price paid**
	Share	*HKD*	*HKD*
June 2016	752,500	3.5483	2,670,096
October 2016	378,500	4.1802	1,582,206
	1,131,000		4,252,302

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

Exercise period	**Exercise price**	**2016**	2015
		Number	*Number*
6 November 2013 to 5 November 2022	HKD5.53	**8,184,000**	8,184,000
		8,184,000	8,184,000

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

CHAIRMAN'S STATEMENT

During the Year, the GDP growth in China was 6.7%, 0.2 percentage point lower than 2015. Impacted by the soft macro environment, the prime office demand in China was also relatively weak, in contrast to the increasing supply. According to the market reports, though the rents of prime office buildings in Beijing and Shanghai continued the stable and upward trend, the occupancy rates declined slightly from last year.

Despite these challenges, SOHO China's property leasing outperformed the general market in both rental growth and occupancy rate on the strength of SOHO China's rich leasing experience and quality property management service. As at the end of December 2016, the average occupancy was approximately 96% for all investment properties under leasing. Rents of the new contracts were approximately 15% to 25% higher than those of the expired ones.

SOHO China achieved rental income of approximately RMB1,511 million in 2016, which folded approximately 10 times in merely 4 years after we announced the transition of the business model in 2012. The achievement in the past year proved to the market again that SOHO China has made full commitment to the long-term development strategy and has been carrying forward the model transition with firm steps and unshakable determination.

The office and retail parts of SOHO Tianshan Plaza in Shanghai were completed in December 2016 and will be the new leasing property for the Group in 2017. Our goal is to build up its occupancy to approximately 90% in 12 months and we are confident that such goal should be achievable. At the moment, the Group still has two projects under construction, which are SOHO Leeza in Beijing and Gubei project in Shanghai. According to the current development schedule, the whole investment property portfolio is expected to be fully completed at the end of 2018, by then SOHO China will be holding quality offices in prime locations of Beijing and Shanghai with a total gross floor area (the "GFA") of approximately 1.7 million sq.m..

During the second half of 2016, the Group took the market opportunity to sell its entire ownership interest in SOHO Century Plaza in Shanghai at a consideration of approximately RMB3,297 million (value-added tax inclusive), which was approximately 70% higher than the cost and approximately 21% higher than its re-valued book value as at 30 June 2016, implying a capital rate as low as approximately 3.4%. SOHO Century Plaza was a nearly completed building when we acquired it in 2011. At the time of the disposal, it had already been mature and under stable operation. Given that it only accounted for approximately 3.7% of the Group's total leasable area of all investment properties, the disposal of the project would not exert a material impact on the Group's overall level of rental income. Based on the above-mentioned reasons, we decided to dispose of our ownership interest in SOHO Century Plaza at the time when asset prices were high in the market. The transaction not only served to unlock the asset value and supplement the working capital for the Group, but also proved to the market of the high quality, high liquidity and high value of SOHO China's investment properties.

We believe the excellent property management service can add value to investment properties. It helps to guarantee the high quality and high rent of the investment properties, thereby increasing their value and market liquidity. SOHO China established its property management service in 2010, since then it quickly took over the management of almost all SOHO China's properties, including both previously sold and currently held by the Group. As at the end of 2016, the Group managed 24 projects with a total GFA of approximately 4 million sq.m. in Beijing and Shanghai.

Fresh air system is a must for all SOHO China's buildings and the reading levels of PM2.5 (particulate matter 2.5) in SOHO China's buildings are far below the national standard level in China. We are glad to see people enjoy themselves working under PM2.5 free environment. To improve the efficiency and quality of property management, the Group has developed an energy management system, which made the electricity consumption of SOHO China's buildings approximately 15.8% or 58.49 million kwh lower than the national standard in 2016. The Group took the lead in the industry to implement the equipment and facility management system, which enables us to monitor more than 250,000 equipments and facilities in real-time, to carry out maintenance on a regular basis, to allocate work, as well as to forewarn, discover and solve operational problems with promptness.

In order to meet the office demand in the internet era, SOHO China launched a new generation of shared-office product SOHO 3Q in early 2015. SOHO China has already opened 17 SOHO 3Q centers in our investment properties, with another two under construction, in total offering more than 16,000 seats in Beijing and Shanghai. SOHO 3Q has become the largest shared office in Beijing and Shanghai, providing vibrant business community and flexible office space to over 10,000 entrepreneurs. Tenants of SOHO 3Q come from various thriving industries, including IT, education, finance, consulting, media and culture. In contrast to the weak performance of traditional office leasing market, SOHO 3Q inspired us with robust growth momentum. As at the end of 2016, the average occupancy rate for SOHO 3Q reached approximately 85%.

BUSINESS REVIEW

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

Projects	Effective Interest	Leasable GFA[1] *(sq.m.)*	Rental Income 2016 *(RMB'000)*	Occupancy Rate[2] as of 31 December 2016	Occupancy Rate[2] as of 31 December 2015
Completed Projects – Beijing					
Qianmen Avenue project	100.0%	35,317	97,541	95.8%	81.4%
Wangjing SOHO Tower 3	100.0%	133,766	328,057	97.4%	100.0%
Guanghualu SOHO II	100.0%	94,279	211,973	97.4%	84.7%
Completed Projects – Shanghai					
SOHO Century Plaza[4]	100.0%	42,954	95,450	94.0%	100.0%
SOHO Fuxing Plaza	100.0%	88,234	148,050	96.6%	94.5%
Sky SOHO	100.0%	128,175	143,282	93.6%	72.9%
Hongkou SOHO	100.0%	70,042	79,334	95.4%	33.9%
Bund SOHO	61.5%	73,781	164,670	96.2%	60.5%
SOHO Tianshan Plaza[3]	100.0%	92,769	N/A	N/A	N/A
Projects Under Construction – Beijing and Shanghai					
SOHO Leeza – Beijing	100.0%	133,780	N/A	N/A	N/A
Gubei project – Shanghai	100.0%	113,416	N/A	N/A	N/A

Notes:
1. Attributable to the Group, excluding hotel area of SOHO Tianshan Plaza
2. Occupancy rate for office and retail, including SOHO 3Q (if any)
3. Lease inception of SOHO Tianshan Plaza from early 2017
4. SOHO Century Plaza disposal transaction was completed in December 2016

Major Projects in Beijing

Wangjing SOHO

Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing consisting of a total GFA of approximately 510,000 sq.m.. The project comprises three towers (Towers 1, 2 and 3), among which Towers 1 and 2 were sold in 2014.

The Group holds Wangjing SOHO Tower 3 with approximately 133,766 sq.m. of leasable area as investment property, of which approximately 123,568 sq.m. are for office use and approximately 10,198 sq.m. are for retail use. Tower 3 was completed in September 2014.

Wangjing area has become the emerging hub for internet companies in northeast of Beijing. Wangjing area is also home to the headquarters of many prestigious multinational companies in the PRC such as Daimler, Siemens, Microsoft and Caterpillar. Wangjing SOHO, with a height of nearly 200 meters, is the first landmark and a point of access to central Beijing from the airport expressway.

Guanghualu SOHO II

Guanghualu SOHO II is located at the heart of the central business district in Beijing, close to subway lines 1 and 10. The total GFA of the project is approximately 165,201 sq.m. and total leasable area attributable to the Group is approximately 94,279 sq.m., including approximately 63,308 sq.m. of office area and approximately 30,971 sq.m. of retail area. The project was completed in November 2014. Guanghualu SOHO 3Q, the flagship 3Q for SOHO China, is located on B1 to second floor of Guanghualu SOHO II, totalling 3,621 seats.

Qianmen Avenue project

Qianmen Avenue project is located in the Qianmen area immediate south of Tiananmen Square, within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. We have the right to retail area of approximately 54,691 sq.m., of which approximately 35,317 sq.m. is currently available for lease. The Group has been working towards its goal of developing Qianmen Avenue into a premier "tourist destination". Leveraging on its massive visitor traffic, we aim to continue to attract and retain high-quality tenants that fit the positioning of the project.

SOHO Leeza

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

We acquired the land use right for SOHO Leeza project through a successful bid of RMB1.922 billion in September 2013. The Lize Financial Business District is currently home to hundreds of financial institutions and large corporations.

SOHO Leeza has a total planned GFA of approximately 172,800 sq.m., and a total leasable GFA of approximately 133,780 sq.m..

The project is currently under construction. The Group intends to hold SOHO Leeza as investment property.

Major Projects in Shanghai

SOHO Fuxing Plaza

SOHO Fuxing Plaza is situated at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway lines 10 and 13. It is right next to Shanghai Xintiandi, the most bustling and diverse commercial area of Shanghai. SOHO Fuxing Plaza has a total GFA of approximately 135,052 sq.m. and a leasable area of approximately 88,234 sq.m., of which approximately 46,344 sq.m. is for office use and approximately 41,890 sq.m. is for retail use. The project was completed in September 2014.

Sky SOHO

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

Sky SOHO was completed in November 2014. Following the disposal of approximately half of the total leasable area of Sky SOHO to Ctrip affiliates in September 2014, the Group is holding the remaining parts of the project with a leasable area of approximately 128,175 sq.m., which consists of approximately 103,014 sq.m. of office area and approximately 25,161 sq.m. of retail area, as investment property.

Hongkou SOHO

Hongkou SOHO is located at the most developed area of the Sichuan North Road commercial district. It is situated at Sichuan North Road Station on subway line 10 and is within 300 meters of Baoshan Road Station, the interchange station for subway lines 3 and 4.

The project has a total GFA of approximately 93,800 sq.m. and a leasable GFA of approximately 70,042 sq.m., including approximately 65,304 sq.m. of office area and approximately 4,738 sq.m. of retail area. The project was completed in July 2015.

Bund SOHO

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

The Group is entitled to a leasable GFA of approximately 73,781 sq.m., including approximately 50,439 sq.m. of office area and approximately 23,342 sq.m. of retail area. The project was completed in August 2015.

SOHO Tianshan Plaza

SOHO Tianshan Plaza is located at a prime location in the Hongqiao Foreign Trade Center in Changning District in Shanghai. The Hongqiao Foreign Trade Center area is Shanghai's first central business district for foreign enterprises and a gathering place for Changning's office, business and high-end residential apartments. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan Plaza neighbors the Inner Ring and Loushanguan Station on subway line 2.

SOHO Tianshan Plaza has a total GFA of approximately 166,597 sq.m.. The office and retail parts of SOHO Tianshan Plaza were completed in December 2016, with a total leasable GFA of approximately 92,769 sq.m., including approximately 74,727 sq.m. of office area and approximately 18,042 sq.m. of retail area. Additionally, it has a hotel which is under construction with an estimated GFA of approximately 18,981 sq.m..

Gubei project

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

We acquired the land use right to this parcel of land through a successful bid of RMB3.19 billion in April 2013. The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Ma'nao Road to the west and the Hongqiao Road to the north. After completion, the project will be accessible underground from Yili Station on subway line 10 and will be in close proximity to the Gubei Takashimaya Shopping Mall, Gubei Fortuna Plaza and other Grade A office buildings.

The project has a total GFA of approximately 158,648 sq.m., of which above-ground GFA is approximately 113,416 sq.m.. The Group intends to hold the Gubei project as investment property. The project is currently under construction.

Sales of Project Interests

On 29 July 2016, SOHO (Shanghai) Investment Co., Ltd.* (搜候（上海）投資有限公司) ("SOHO Shanghai"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Guo Hua Life Insurance Co., Ltd.* (國華人壽保險股份有限公司) ("Guo Hua Insurance"), an independent third party, pursuant to which SOHO Shanghai agreed to dispose of its entire ownership interest in SOHO Century Plaza to Guo Hua Insurance at the consideration of RMB3,221,580,750, net of value-added tax. Further details of the above transaction were disclosed in the Company's announcement dated 29 July 2016.

As at the end of 2016, the transaction was completed.

FINANCIAL REVIEW

Turnover

Turnover in 2016 was approximately RMB1,577 million, representing an increase of approximately RMB582 million or 58% as compared with approximately RMB995 million in 2015. This was mainly attributable to the significant increase of rental income due to the improvement in the occupancy rates of Guanghualu SOHO II, Bund SOHO, Hongkou SOHO, Sky SOHO, etc.

Property lease

Rental income in 2016 was approximately RMB1,511 million, representing an increase of approximately RMB459 million or 44% as compared with approximately RMB1,052 million in 2015.

Profitability

Gross profit for 2016 was approximately RMB1,242 million, representing an increase of approximately 69% as compared with approximately RMB734 million in 2015. The increase was mainly due to the growth in rental income. Gross profit margin for 2016 was approximately 79% (2015: approximately 74%).

Profit before taxation for 2016 was approximately RMB1,999 million, representing an increase of approximately 42% as compared with approximately RMB1,407 million in 2015.

Net profit attributable to the equity shareholders of the Company for 2016 was approximately RMB910 million, representing an increase of approximately 69% as compared with 2015. During the Year, the Group incurred extraordinary finance expenses of approximately RMB360 million in relation to prepayment of offshore debts.

Cost control

Selling expenses for 2016 was approximately RMB62 million, representing a decrease of approximately 10% as compared with approximately RMB69 million in 2015, due to the Group's stricter cost control during the Year.

Administrative expenses for 2016 was approximately RMB265 million, representing an increase of approximately 6% as compared with approximately RMB251 million in 2015. The increase was driven mainly by the increase in operational and administration expenses in relation to SOHO 3Q's development.

Finance income and expenses

Finance income for 2016 was approximately RMB121 million, as compared with approximately RMB380 million in 2015. The decrease was mainly due to the lower cash position and market interest rates during the Year.

Finance expenses for 2016 were approximately RMB821 million, including extraordinary expenses of approximately RMB360 million in relation to prepayment of offshore debts. As compared with approximately RMB927 million in 2015, the decrease in 2016 was mainly due to a lower level of debt balance and lower funding cost.

Valuation gains on investment properties

Valuation gains on investment properties for 2016 were approximately RMB1,270 million, including the valuation gains from the completion of the office and retail parts of SOHO Tianshan Plaza.

Income tax

Income tax of the Group for 2016 comprised the PRC Corporate Income Tax, the Land Appreciation Tax and the Deferred Tax. PRC Corporate Income Tax for 2016 was approximately RMB1,091 million, representing an increase of approximately RMB247 million as compared with approximately RMB844 million in 2015. Land Appreciation Tax for 2016 was approximately RMB312 million, representing an increase of approximately RMB239 million as compared with approximately RMB73 million in 2015 due to the disposal of SOHO Century Plaza project during the Year. Deferred Tax for 2016 was approximately RMB205 million, representing a decrease of approximately RMB48 million as compared with approximately RMB253 million in 2015.

Senior notes, corporate bonds, bank loans and collaterals

As disclosed in the Company's announcements dated 7 April 2016 and 6 June 2016, out of the US$400 million 7.125% senior notes due 2022 (the "2022 Notes"), the remaining outstanding principal amount of US$253,269,000 were redeemed in full on 6 June 2016 (the "Redemption"). Upon completion of the Redemption, the 2022 Notes were cancelled.

As disclosed in the Company's announcements on 13 November 2015, 6 January 2016 and 22 January 2016, Beijing Wangjing SOHO Real Estate Co., Ltd.* (北京望京搜候房地產有限公司) ("Beijing Wangjing"), a wholly-owned subsidiary of the Company, announced to issue the domestic corporate bonds in the PRC with the aggregate principal amount of RMB3 billion at the coupon rate of 3.45% for a term of three years. As at 31 December 2016, the amount of the corporate bonds was approximately RMB2,989 million.

As at 31 December 2016, the bank loans of the Group were approximately RMB12,447 million. Among the bank loans, approximately RMB2,955 million are due within one year, approximately RMB641 million are due after one year but within two years, approximately RMB2,679 million are due after two years but within five years and approximately RMB6,172 million are due after five years. As at 31 December 2016, bank loans of approximately RMB12,447 million of the Group were collateralized by the Group's land use rights, properties and restricted bank deposits.

As at 31 December 2016, the Group had senior notes, corporate bonds and bank loans of approximately RMB15,436 million, equivalent to approximately 23% of the total assets (31 December 2015: approximately 25%), net debt (bank loans + senior notes + corporate bonds – cash and cash equivalents and bank deposits) to equity attributable to owners of the Company ratio was approximately 32% (31 December 2015: approximately 24%).

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. In order to optimize the debt structure and control the risk from fluctuations of offshore and onshore market interest rates and exchange rates, during the Year, the Group prepaid syndicated loans of US$644 million and HK$4,050 million and redeemed senior notes with the aggregate principal amount of approximately US$253 million, which brought the proportion of offshore foreign currency borrowing down to only approximately

7% of the total debt at the end of 2016 (as at 31 December 2015: approximately 56%). The Company has successfully lowered the funding cost to approximately 4.4% as at 31 December 2016. During the Year, the Group's operating cash flow and liquidity had not been subject to significant influence from the fluctuations in exchange rate.

Contingent liabilities

As of 31 December 2016, 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 RMB2,286 million as of 31 December 2016 (approximately RMB4,482 million as of 31 December 2015).

As at 31 December 2016, the Group provided guarantees to one of its subsidiary (2015: nil) with respect to its corporate bonds with the principal amount of RMB3 billion (2015: nil).

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in its ordinary course of business. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, based on the information currently available and to the best knowledge, information and belief of the Board, any resulting liabilities will not have a material adverse effect on the financial position, liquidity or operating results of the Group.

Capital commitment

As at 31 December 2016, the Group's total capital commitment for properties under development were approximately RMB3,775 million (approximately RMB5,553 million as at 31 December 2015). The amount mainly comprised the contracted and the authorised but not contracted development cost of the existing projects.

Employees and remuneration policy

As at 31 December 2016, the Group had 2,237 employees, including 217 employees for Commune by the Great Wall and 1,683 employees for the property management company.

The remuneration package of the Group's employees includes basic salary and bonuses. Bonuses are determined on a monthly basis based on performance reviews. The remuneration of leasing employees consists of performance-based commissions and bonus. 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 "Employees' Share Award Scheme") on 23 December 2010 as part of its employees' remuneration package, and had granted Shares of the Company to various employees, including various Directors pursuant to the rules of the Employees' Share Award Scheme.

OTHER INFORMATION

Principal activities

The principal activities of the Group are real estate development, property leasing and property management. More information of the principal activities of the Group during the Year is set out in the section headed "Business Review" of this announcement. There were no significant changes in the nature of the Group's principal activities during the Year.

Dividends

On 17 August 2016, the Board recommended the declaration and payment of a special dividend of RMB0.19 per Share to the Shareholders of the Company which has been approved by Shareholders at the extraordinary general meeting of the Company held on 27 September 2016.

The Board recommended the declaration and payment of the Special Dividend of RMB0.346 per Share out of the share premium account of the Group (2015: RMB0.348 per Share). The Board did not recommend the declaration of final dividend for the year ended 31 December 2016 (2015: nil).

Subject to the fulfilment of the conditions set out in the section headed "Conditions of the payment of Special Dividend out of share premium account" below, the Special Dividend is intended to be paid out of the share premium account of the Group pursuant to Articles 136 and 137 of the articles of association of the Company (the "Articles of Association") and in accordance with the Companies Law (Cap. 22) of the Cayman Islands.

Conditions of the payment of Special Dividend out of share premium account

The declaration and payment of the Special Dividend out of the share premium account of the Group is conditional upon the satisfaction of the following conditions:

(a) the passing of an ordinary resolution by the Shareholders at the AGM approving the declaration and payment of the Special Dividend out of the share premium account pursuant to Articles 136 and 137 of the Articles of Association; and

(b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the payment of the Special Dividend, unable to pay its liabilities as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If such conditions are not satisfied, the Special Dividend will not be paid.

Subject to the fulfillment of the above conditions, it is expected that the Special Dividend will be paid in cash on or about Thursday, 15 June 2017 to the qualifying Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Thursday, 8 June 2017, being the record date for determination of entitlements to the Special Dividend.

Closure of register of members

The register of members of the Company will be closed from Monday, 22 May 2017 to Friday, 26 May 2017 (both days inclusive), during which period no transfer of Shares will be registered. To be eligible for attending and voting at the forthcoming AGM to be held on Friday, 26 May 2017, 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 Friday, 19 May 2017.

The register of members of the Company will also be closed from Friday, 2 June 2017 to Thursday, 8 June 2017 (both days inclusive), during which period no transfer of Shares will be registered. To be eligible for the entitlement to the proposed Special Dividend, which is subject to satisfaction of the conditions set out above, 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, 1 June 2017.

Share capital

As of 31 December 2016, the Company had 5,199,524,031 Shares in issue (31 December 2015: 5,199,524,031 Shares).

Purchase, sale or redemption of listed securities of the Company

During the Year, the Company had not repurchased any Shares on the Stock Exchange. The trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 1,131,000 Shares at a total consideration of approximately HK$4,267,599 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

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

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

Compliance with the Corporate Governance Code

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

Audit committee

The audit committee of the Company had reviewed the audited consolidated annual results of the Company for the year ended 31 December 2016 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

Publication of results announcement

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

By order of the Board
SOHO China Limited
Pan Shiyi
Chairman

Hong Kong, 23 March 2017

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

* *For identification purposes only*