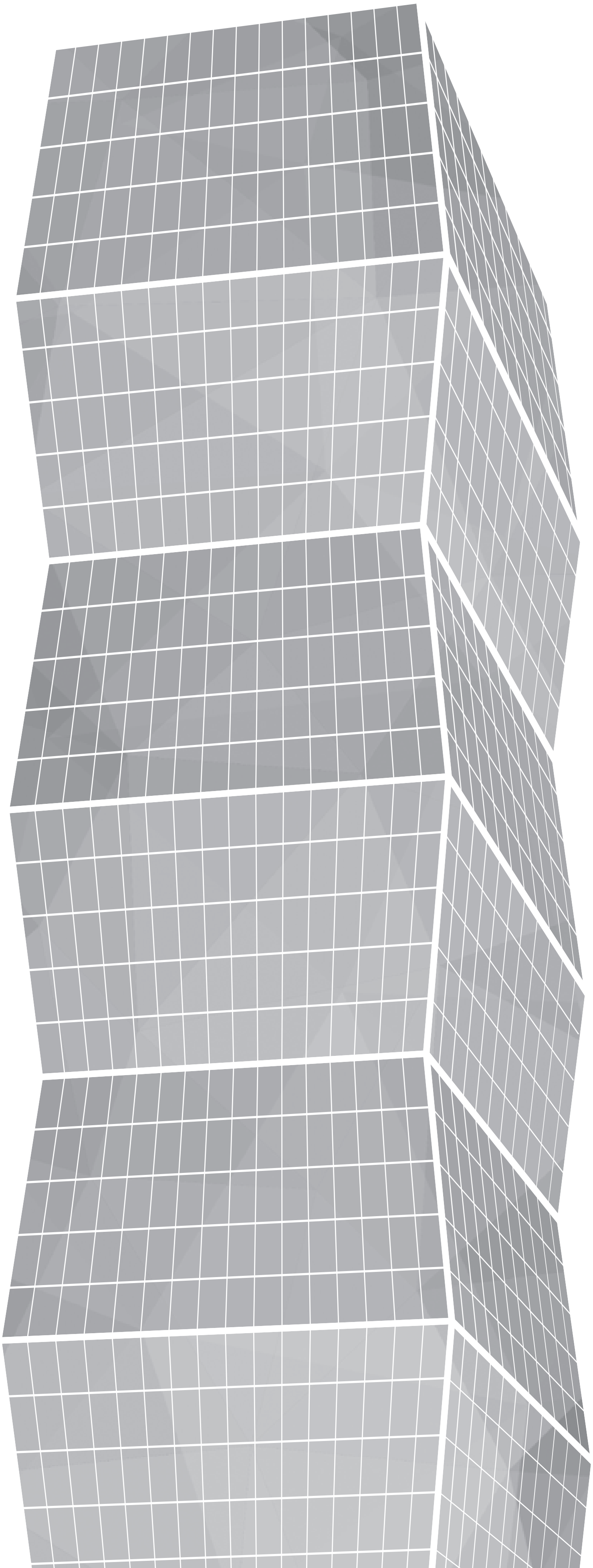


SOHO 中國 CHINA
Stock Code: 410

SOHO CHINA LIMITED

ANNUAL REPORT 2018

SOHO CHINA

The board (the "Board") of directors (the "Director(s)") of SOHO China Limited (the "Company", "We" or "SOHO China") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 (the "Year"), which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2018 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company (the "Audit Committee") and approved by the Board on 29 March 2019.

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

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

CONTENTS

CHAIRMAN'S STATEMENT

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

1. WHY HAS CHINA BEEN ABLE TO ACHIEVE RAPID DEVELOPMENT?

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

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

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

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

2. JANUARY 2019, GUBEI SOHO OPENED ITS DOORS

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

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

3. JULY 2019, SOHO LEEZA WILL REACH COMPLETION

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

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

4. THE ADVANCEMENT OF 5G IS A CONNECTING, UNIFYING FORCE

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

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

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

5. TWO POSSIBILITIES IN 2019: THE UPCOMING REAL ESTATE TAX WILL HAVE NO IMPACT ON SOHO CHINA

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

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

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

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

6. TWO POSSIBILITIES FOR 2019: EASING MONETARY POLICY IN CHINA

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

7. THE EFFECT OF MAJOR CITIES

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

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

8. WHAT KIND OF COMPANY IS SOHO CHINA?

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

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

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

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

9. COOPERATION IS THE MOST POWERFUL FORCE

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

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

BUSINESS REVIEW

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

Projects	**Leasable GFA[1]** *(sq.m.)*	**Rental Income 2018** *(RMB'000)*	**Occupancy Rate[2] as at 31 December 2018**	**Occupancy Rate[2] as at 31 December 2017**
Completed Projects – Beijing				
Qianmen Avenue project	34,907	117,287	100%	100%
Wangjing SOHO	148,151	385,563	98%	99%
Guanghualu SOHO II	94,279	274,792	95%	97%
Galaxy & Chaoyangmen SOHO	45,101	97,513	97%	98%
Completed Projects – Shanghai				
SOHO Fuxing Plaza	88,234	224,653	96%	95%
Bund SOHO	72,826	195,868	87%	96%
SOHO Tianshan Plaza	97,751	178,862	95%	64%
Sky SOHO[3]	128,175	70,357	99%	99%
Projects Under Construction – Beijing and Shanghai				
SOHO Leeza – Beijing	133,780	N/A	N/A	N/A
Gubei SOHO[4] – Shanghai	112,154	N/A	N/A	N/A

Notes: 1. *The leasable GFA (gross floor area) attributable to the Group as at 31 December 2018.*

2. *Occupancy rate for office and retail, including SOHO 3Q (if any).*

3. *The disposal of Sky SOHO was completed on 16 April 2018. The above occupancy rate for Sky SOHO was as at 16 April 2018.*

4. *Gubei SOHO was completed in January 2019.*

MAJOR PROJECTS IN BEIJING

Wangjing SOHO

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

The Group is holding Wangjing SOHO Tower 3 and some units of Towers 1 and 2. Tower 3 was completed in September 2014.

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

Wangjing SOHO

Guanghualu SOHO II

Guanghualu SOHO II is located at the heart of the central business district in Beijing, close to subway lines 1 and 10. The total GFA of the project is approximately 117,179 sq.m. and the total leasable area attributable to the Group is approximately 94,279 sq.m., including approximately 63,308 sq.m. of office area and approximately 30,971 sq.m. of retail area. The project was completed in November 2014. Guanghualu SOHO 3Q, the flagship 3Q for SOHO China, is located on B1 to second floor of Guanghualu SOHO II.

Guanghualu SOHO II

Qianmen Avenue project

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

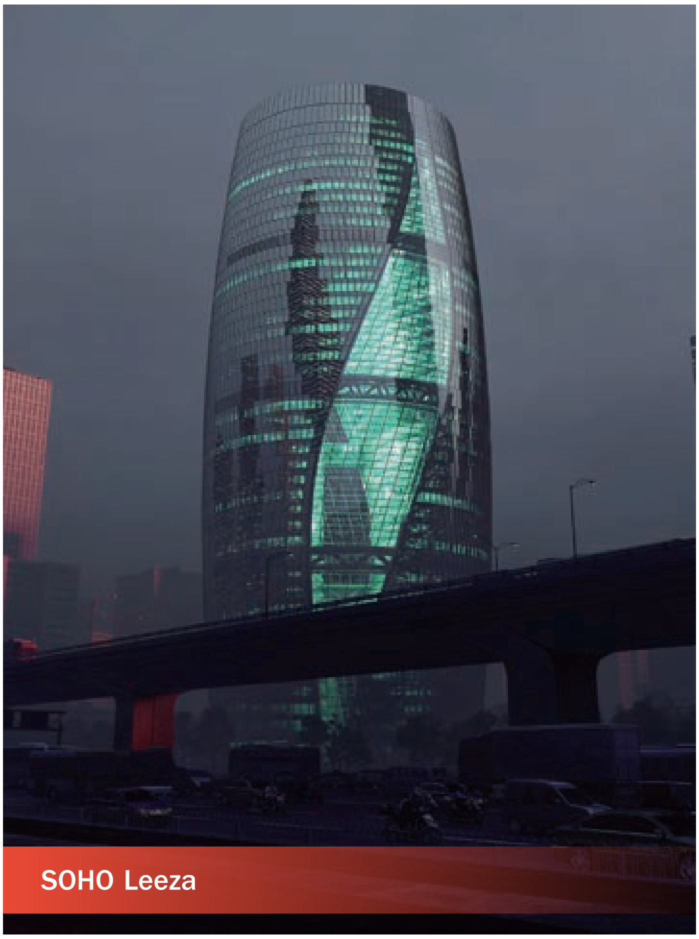
Qianmen Avenue project

SOHO Leeza

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

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

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



SOHO Leeza

MAJOR PROJECTS IN SHANGHAI

SOHO Fuxing Plaza

SOHO Fuxing Plaza is situated at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway lines 10 and 13. It is right next to Shanghai Xintiandi, the most bustling and diverse commercial area of Shanghai. SOHO Fuxing Plaza has a total GFA of approximately 124,461 sq.m. and a leasable area of approximately 88,234 sq.m., of which approximately 46,344 sq.m. is for office use and approximately 41,890 sq.m. is for retail use. The project was completed in September 2014.

SOHO Fuxing Plaza

Bund SOHO

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

The Group is entitled to a leasable GFA of approximately 72,826 sq.m., including approximately 51,317 sq.m. of office area and approximately 21,509 sq.m. of retail area. The project was completed in August 2015.


Bund SOHO

SOHO Tianshan Plaza

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

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

SOHO Tianshan Plaza

Gubei SOHO

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

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

The project has a total GFA of approximately 153,505 sq.m. and a total leasable GFA of approximately 112,154 sq.m.. The project was completed in January 2019 and has been launched for leasing after completion.

Gubei SOHO

SALE OF PROJECT INTERESTS

On 17 October 2017, SOHO China (Hong Kong) Limited, a wholly-owned subsidiary of the Company (as the seller), the Company (as the guarantor) and an independent third party (as the purchaser) entered into a framework agreement to dispose of Sky SOHO, details of which were disclosed in the Company's announcement dated 23 October 2017. The agreed asset price of Sky SOHO was determined at RMB5,008 million. The transaction was completed on 16 April 2018.

Sky SOHO

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the third Environmental, Social and Governance (ESG) report of SOHO China. By disclosing our conception and practice of sustainable development, we aim to engage with stakeholders and enhance mutual understanding, proactively driving future continuous improvement.

This report has been prepared with reference to and based on the Environmental, Social and Governance Reporting Guide of the Stock Exchange, and it covers the ESG matters of SOHO China this Year.

The scope of this report is consistent with the scope of the annual report, and focuses on performance of SOHO China with respect to environmental, social and governance ideas and practices from 1 January 2018 to 31 December 2018. All data are from internal documents or statistical reports of SOHO China.

1. ESG MANAGEMENT

SOHO China is committed to acting as a responsible social citizen, aiming for "spiritual progress and growth together with social and material development." It attaches great importance to the environment, society and governance, pushes for sustainable development progress, and incorporates social responsibility and environmental issues into corporate governance and daily operation.

1.1 Stakeholder Communication and Response

SOHO China attaches great importance to communication with stakeholders, and identifies its core stakeholders in the context of its potential sustainable development impact and industry background. We listen to the voices and recommendations of our employees, senior managers and other internal stakeholders, collect feedback and ideas from governments, customers, suppliers, consumers, community, the media and other external stakeholders, and proactively respond through multiple targeted channels.

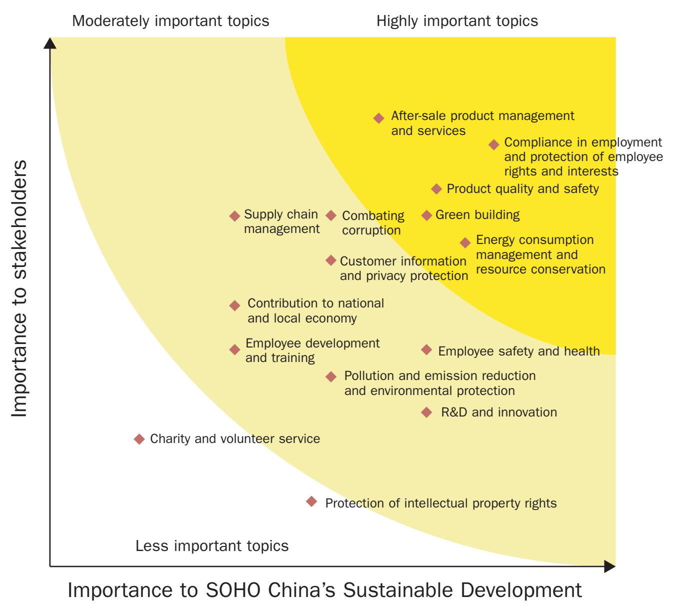
Major Stakeholders	Expectations and Requirements	Communications and Responses
Investors/ shareholders	• Return on investment • Operational risk mitigation • Protection of shareholders' rights and interests • Information disclosure	• Improved operating efficiency • Sound management systems • Mutual trust with investors • Periodic disclosure of annual and interim reports
Governments	• Compliance with relevant laws and regulations • Information disclosure • Local economic development	• Proactive compliance with local laws and regulations • Regular submission of supervision reports • Proactive tax payment and complying with national policies

Major Stakeholders	Expectations and Requirements	Communications and Responses
Employees	• Benefits • Career development and promotion • Occupational health • Equal opportunities	• Fair remuneration • Diverse training channels • Protection of labour rights and interests • Public recruitment
Suppliers	• Honesty and promises kept • Open and transparent management • Mutual benefit	• Sincere cooperation • Responsible procurement and periodical inspection • Active communication
Customers	• Honesty and contract compliance • Service quality • Complaint handling • Privacy protection	• Compliance in sales service • Service quality control • Complaint handling mechanisms • Information privacy protection mechanisms
Community residents	• Charity and philanthropy • Community development	• Organizing charity activities • Promoting educational charity activities

1.2 Materiality Assessment

Given the dimensions of "importance to stakeholder", and "importance to sustainable enterprise development", SOHO China has identified major ESG issues and formulated a matrix of key topics in 2018 based on data analysis results from the stakeholder questionnaire. It also takes into account the macro background of corporate development, analysis of domestic and international social responsibility standards, corporate development strategy and important parts of operations, and industry benchmarks. In order to better respond to the recommendations and expectations of stakeholders, in this report, we will disclose management methods and results for the following topics.

SOHO China 2018 Major ESG Topic Matrix



2. ENVIRONMENTAL RESPONSIBILITY

SOHO China is committed to the development concepts of "aesthetic paradigm, carbon benchmarking, green health, and authoritative affirmation". SOHO China is strictly abided by the *Environmental Protection Law of the People's Republic of China,* the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution,* the *Law of the People's Republic of China on Prevention and Control of Water Pollution,* the *Law of the People's Republic of China on Prevention and Control of Environmental Noise,* the *Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution,* the *Energy Conservation Law of the People's Republic of China*, and other environmental protection and energy conservation laws and regulations. We also follow the *Work Program of the State Council on Control of Greenhouse Gas Emission under the "13th Five-year Plan",* the *Notice of the State Council on Printing and Issuing the Three-year Action Plan for Blue Sky Protection Campaign,* the *Provisional Measures of NDRC on Management of Voluntary Emission Reduction Transaction of Greenhouse Gas*, and other greenhouse gas emission reduction requirements. On this basis, SOHO China has formulated a series of environmental protection management policies including the *Control Procedure on Identification and Evaluation of Environmental Factors*.

In accordance with the *Notice of Beijing Municipal Commission of Development and Reform on Pilot Implementation of Carbon Emission Transactions*, the *Regulations of Beijing City on Prevention and Control of Air Pollution*, and other relevant local regulations, SOHO China proactively controls greenhouse gas emissions, improves energy utilization efficiency, and reduces pollutant discharge.

Meanwhile, SOHO China takes actions to reduce emissions and pollutions with respect to building design, construction and operation, and continuously reduces pollutant discharge and energy consumption through sound management systems and policies, and comprehensive performance indicators.

Indicators	2018
Total wastewater discharge (tons)[1]	1,836.00
COD emissions (tons)	0.60
Total greenhouse gas emissions (Categories I and II) (tons)[2]	52,739.11
Direct emissions (Category I) (tons)	15.10
Natural gas	15.10
Indirect emissions (Category II) (tons)	52,724.01
Purchased electricity	52,724.01
Greenhouse gas emissions per square meter (floor area) per year (tons/m^2)	0.08

Note:

1 *Air pollutant emissions are only applicable to projects under construction. During the construction period, corresponding measures are taken according to the EIA report. The concentration and rate of atmospheric pollutants both meet the relevant standards. Water pollutants are only applicable to projects under construction, and the emissions are estimated according to the EIA report.*

2 *Greenhouse gas inventories include CO_2, methane, and N_2O, mainly from purchased electricity and natural gas. Computation of greenhouse gas is based on carbon dioxide equivalence, the emission factors published in the Energy-saving, Cost-reducing and Climate Change Response Data Filing System of Beijing City in the project location, the emission factors in the Measures of Shanghai City on Computation and Reporting of Greenhouse Gas Emission from Tourist Hotels, Shopping Malls, Real Estate Industry and Financial Office Building published by Shanghai Municipal Development & Reform Commission, and the 2016 IPCC Guidelines for National Greenhouse Gas Inventories published by the Intergovernmental Panel on Climate Change (IPCC).*

2.1 Green Design

SOHO China is committed to building green spaces, incorporates relevant design requirements under the Leadership in Energy & Environmental Design (LEED) building rating system in its design manual. All projects under construction are green buildings. All designs follow the LEED-CS Gold Standard (US) and China's Two Star Green Building Standards, which cover land conservation, outdoor environment, water conservation and utilization, energy conservation and utilization, materials conservation and utilization, indoor environment, construction management, and operation management, directly or indirectly reducing greenhouse gas and pollutant discharges, increasing utilization of resources and the effectiveness of waste handling and management. SOHO China has currently obtained formal LEED certification or pre-certification for 10 projects, covering certification area of 2.28 million sq.m..

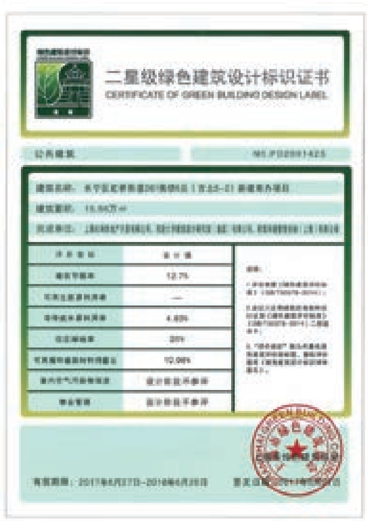
Case: Green Building Project – Gubei SOHO

Gubei SOHO, located in the core area of Shanghai Gubei International Business District, is the Company's latest Shanghai milestone project. It covers a total gross floor area of 153,505 sq.m.. Gubei SOHO is a Super-Grade A Office Building, and has now been granted LEED-CS Gold Certification and use of the Two Star Green Building Design logo.

In terms of energy conservation, Gubei SOHO is equipped with high-efficiency enclosure system, HVAC system, intelligent lighting control system, energy-saving electrical equipment system, etc., and applies solar water heating system, achieving 19.03% building energy-saving compared with ASHRAE90.1 standard. In terms of water conservation, Gubei SOHO rationally recycles and utilizes rainwater, and adopts a water-saving appliance system, achieving 46.32% water conservation compared with LEED standard.

Gubei SOHO

LEED-CS Gold Certificate



Two-Star Green Building Design Evaluation Logo Certificate

Case: Green Building Project – LEEZA SOHO

LEEZA SOHO, located south of Lize Road, Beijing, and in the core location of Lizen Financial Business District, is a representative SOHO China green building project. It has been granted LEED-CS Gold pre-certification, and is currently applying for China's Two Star Green Building certification.

The green low-carbon technologies adopted by LEEZA SOHO include: solar water heaters, air-conditioning energy-saving technologies, motor energy-saving technologies, solar energy utilization technologies, rainwater utilization technologies, water-saving appliances and water-saving control technologies. At the same time, LEEZA SOHO is equipped with a 3D visual BIM operation and maintenance management system, including energy and equipment management systems that monitor energy-saving operations in real time.

LEEZA SOHO

LEED-CS Gold pre-certification

2.2 Green Construction

SOHO China has implemented green construction plans for all projects currently in progress, and has taken measures to reduce emissions and pollutants with respect to land and material consumption. Thanks to the waste pollutant reduction and reclamation plan, at least 75% of waste from construction, demolition, and site clearance are recycled.

With respect to environmental protection, we use environmentally-friendly adhesive, detergent, decoration, and other materials to improve indoor air quality and create a healthy living environment. Living quarters on construction sites have enclosed garbage containers to bag and promptly remove domestic waste. Construction waste is classified, collected in enclosed waste stations onsite, and transported in a centralized way.

For energy conservation, we optimize utilization of natural lighting, operate energy systems to conserve energy and improve air quality, and control greenhouse gas and pollutant discharges from energy systems. We save water through rainwater recycling, reclaimed water utilization, and water-saving appliances.

For land utilization, SOHO China is committed to protecting the original site environment. In order to minimize soil and sedimentation loss caused by construction, we protect the original site vegetation, solidify the soil, and set up sedimentation basins.

To the extent possible, SOHO China uses local, renewable, recyclable, and reusable materials, green property operation and maintenance materials, and green office consumables in construction and operation, reducing resource consumption and pollutant discharge during production and transportation.

Indicator	2018
Building waste (tons)	80,286.85

2.3 Green Operations

Based on the design philosophy of green building operation and maintenance, SOHO China fully implements measures on all its existing buildings to conserve energy, water, and materials, and protect the environment. Using an energy and facility management platform, we efficiently utilize energy over the full building life cycle, and have formulated and implemented a series of management policies at the operation stage, including but not limited to the *Energy Data Management Policy*, *SOHO China Office Energy Conservation Policy*, the *Equipment and Facility Management Policy*, the *Public Lighting Management Policy*, the *Community Energy Saving Management Policy*, the *Profit Accounting Method for Energy Performance Assessment of Asset Management Companies*, and the *SOHO 3Q Energy Conservation Policy*. Through scientific management, we reasonably utilize resources to effectively save energy and reduce emissions. The Group Quality Control Department effectively controls quality and appraises performance on a monthly basis.

With respect to energy utilization, our building designs and operations save energy, and we optimize energy utilization structure and efficiency through structural enclosure, air-conditioning, lighting, and equipment to reduce greenhouse gas and pollutant emissions. Meanwhile, to protect the ozone layer, SOHO China strictly controls refrigeration coolants for environmental impact.

For control over energy data, every SOHO China building has an energy and equipment facility management platform so as to realize unified monitoring by the Group, individual project management and field operation personnel management.

Indicator	2018
Total energy consumption (MWh)[1]	64,651.48
Direct energy consumption (MWh)	6,903.88
Natural gas (MWh)	6,903.88
Indirect energy consumption (MWh)	57,747.60
Electric power (MWh)	57,474.60
Energy consumption per square meter (floor area) per year (MWh/m^2)[2]	0.09

Notes:

1 *Within the scope of disclosure, there are no other direct energy sources like diesel or coal. Energy consumption data is based on power and fuel consumption and relevant conversion factors in the General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589-2008) published by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardization Administration, including electric power and natural gas.*

2 *Energy consumption per sq.m. (floor area) refers to the energy consumed for each sq.m. of floor area.*

Case: SOHO 3Q Energy Management

SOHO 3Q is a brand-new office style we created in the era of shared economy. Since its introduction in 2015, it has become the largest shared office space in China, improving the office experience of customers. Through standardized concentrated design and space sharing in the public areas, it allows SOHO 3Q to optimize space utilization and the number of people using the space. SOHO 3Q reduces *per capita* energy consumption to further reduce energy consumption and emissions.

In order to improve energy efficiency, we have formulated a standardized *SOHO 3Q Energy Conservation Management System* and gradually applied it in SOHO 3Q. Meanwhile, SOHO 3Q conducts unified supervision and management of energy through the establishment of an energy, equipment and facilities management platform. Manual lighting control systems are used for SOHO 3Q projects with small volume. For large projects, automatic lighting and air conditioning control is used for public areas. Dual-tube fan coil units and fresh air systems are generally used for air-conditioning in public areas and offices. PM 2.5 filtering efficiency of fresh air is about 90% after three-level filtration.

By virtue of the water saving management policies, we recycle rainwater and reclaimed water. We use water-saving appliances such as dual flush toilets, low-flow taps, inductive faucets and flush valves to reduce flush volumes. In addition, advanced sprinkling irrigation technology is used to collect and recycle rainwater, reducing the consumption of drinking water for irrigation by approximately 50% compared with traditional methods.

Indicator	2018
Tap water (tons)	624,591.30
Tap water consumption per square meter (floor area) per year (tons/m^2)	0.89

For solid waste, we have a *Waste Management Policy*. Small volumes may be thrown into waste bins, but large volumes must be transported to waste stations directly. The cleaning staff collects the garbage in the bins at a specified time every day and transfers it to the station. Old newspapers, magazines, papers, glass, metal, plastics, and recyclables may be processed on a regular and irregular basis. In the waste station, dry waste is separated from moist waste, and sorted. The waste chamber is equipped with cleaning equipment. To prevent pests, pollution, and odors, chemical agents are sprayed at set times each day.

Indicator[1]	2018
Non-hazardous waste (tons)[2]	11,400.8
Domestic waste	7,192.90
Kitchen waste	4,207.90
Non-hazardous waste per square meter (floor area) per year (tons/m^2)	0.02
Hazardous waste (tons)[3]	0.71
Waste toner cartridges	0.005
Waste cartridges	0.005
Waste fluorescent tubes	0.68
Hazardous waste per square meter (floor area) per year (tons/m^2)	0.000001

Notes:

1 *Packaging data is not applicable to the Company.*

2 *Non-hazardous waste, mainly domestic and kitchen waste, is handled by recyclers.*

3 *Hazardous waste, mainly including toner cartridges, cartridges, and fluorescent tubes, is delivered to a third party or supplier for treatment.*

3. EMPLOYEE RESPONSIBILITY

To safeguard the legitimate rights and interest of employees, SOHO China has established and improved its employment and management rules and policies in strict accordance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on Protection of Minors*, the *Law of the People's Republic of China on Protection of Rights and Interests of Women and Children*, and other relevant laws and regulations.

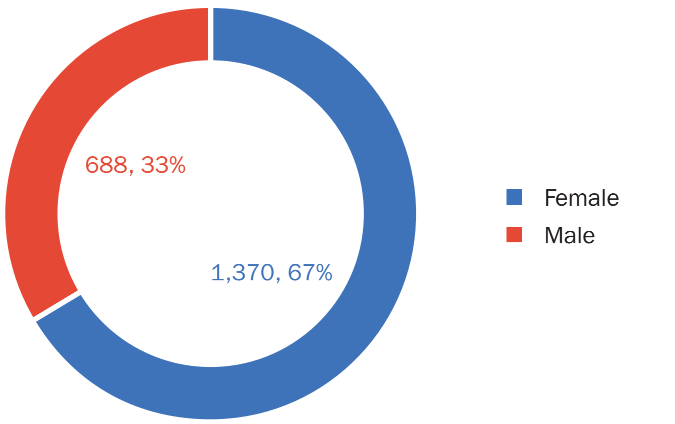
3.1 Recruitment and Employment Management

We attracted qualified candidates through multiple channels in 2018 and provided a platform and created career development opportunities for various professionals and administrative personnel. We adhere to the principles of mutual respect, fairness and impartiality in recruitment, treat all candidates equally, and avoid any kind of discrimination based on gender, age, race, religion or other aspects. Regarding position creation, standard or flexible working hours are used based on different business models and job requirements to effectively protect employees.

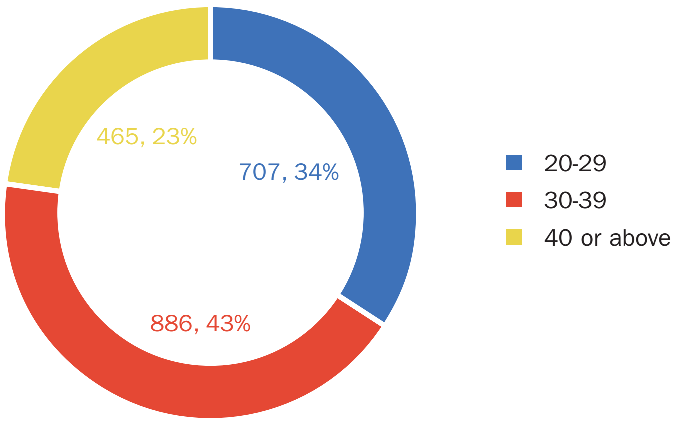
In order to safeguard employees' rights and interests and build a legal employment system, we strictly control employment risks during recruitment and employment and regulate management of dispatched workers. We strictly prohibit child labor and any other type of forced labor, and have established a series of internal control policies to prevent such activities from occurring. Any behavior by management personnel in violation of the regulations results in severe punishment. Meanwhile, we have taken a series of actions to strictly control employment risks. Prior to employment, we strictly investigate the background of all employees, and demand that they provide relevant certificates for verification before onboarding, such as graduation certificates and identity cards. For labor employed through third parties, the agency must meet national laws and regulations concerning labor qualification, including working hours, vacation policy, and female employee protection policy.

We adhere to the principles of fairness and justness, proactively respect the rights and interests of every employee, and emphasize cultural diversification. In 2018, we employed 5 disabled staff as dormitory attendants and assistants.

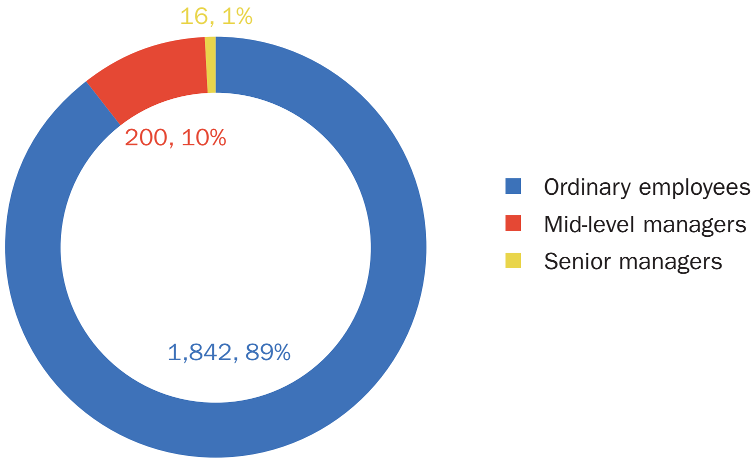
Employee Composition by Gender (Unit: person, percentage)



Employee Composition by Age (Unit: person, percentage)



Employee Composition by Type (Unit: person, percentage))



3.2 Compensation and Benefits

In 2018, SOHO China continued improving and optimizing its employee compensation, benefit, and performance appraisal policies to encourage employees to keep on forging ahead. Meanwhile, we have continued establishing sound employee promotion channels to guarantee professional and personal development. In order to further safeguard employee health benefits, in 2018, all employees of SOHO China participated in physical examination insurance and employee supplemental commercial plans to fully protect their health. Based on relevant national and local policies, we have paid into specified social security and housing provident funds for all employees. Meanwhile, with a view towards motivating employee enthusiasm and enhancing cohesion, SOHO China has continued innovating in remuneration and equity incentive mechanisms, and has made efforts to raise the salaries of front-line employees and ordinary workers.

In order to mobilize employee initiative and give play to the individual potential of each employee, in 2018 we continued improving the monthly performance appraisal system to evaluate performance and efficiency. The results are rated A, B, C, or D, corresponding to different levels of performance payment. Meanwhile, to attract and retain excellent professionals and improve the talent hierarchy, we fully updated our performance appraisal system, raised employee remuneration, and improved benefits.

3.3 Occupational Health and Safety Management

SOHO China regards employee occupational health and safety (OHS) as our top priority, and managers at all levels also regard it as a core task. In strict accordance with relevant laws and regulations such as the *Law of the People's Republic of China on Work Safety* and the *Law of the People's Republic of China on Prevention and Control of Occupational Health*, we have established various internal management policies such as the *Management Manual on Quality, Environment, Occupational Health and Safety*, the *Safety Management Manual*, the *Environment and Occupational Health Operation Control Procedures*, the *Control Procedures for Environmental Factory Identification and Evaluation*, and the *Hazard Identification, Risk Evaluation and Risk Control Procedures*. Additionally, we have established an OHS management policy covering employee health and safety, fire safety, and specific high-risk work. SOHO China is devoted to minimizing employee health and safety risks. No material work-related injury incidents occurred in 2018.

OHS Management System

We have obtained the OHSAS18001 (OHS Management System) certification and supervised and managed production safety in strict accordance with it. Under its guidance, we have organized employees to identify workplace hazards and carried out emergency drills on a regular basis to fully guarantee employee health and safety.

In addition, as a leading enterprise in the real estate industry, we attach great importance to site safety. In strict accordance with the national laws, regulations, and codes governing production safety, we have formulated *Project Management Measures for Handling Major Safety Accidents*, requiring all managerial personnel to pay special attention to construction site safety, and taking accidents into account during performance appraisal. Any safety incidents cancel out performance results for the year. We also organize hazard identification and management training to ensure that public grounds remain in good, level conditions, that covers are in place and in good condition, and that warning boards are erected for any unprotected protrusions to remind employees of safety.

Staff Safety Training and Education

We have formulated relevant policies and measures to protect occupational health and safety, and organized staff training and practical risk prevention education. All employees participate in the OHS management education and fire safety training, and are capable of self-protection and emergency response. We contribute to employee occupation injury insurance and organize safety training and emergency response drills.

Management of High-risk Work and Employee Protection

For high-risk jobs and special jobs, we provide a series of protection measures to protect the operating staff. At the same time, employees also have the right to decide whether to participate. Employees in special operations are equipped with protection equipment which complies with national standards such as earplugs, insulating boots, insulating gloves, and anti-static clothing. To ensure the safety of onsite personnel, onsite hazard management is inspected monthly, and onsite management personnel promptly handle any hazards detected. We also provide cool drinks for employees who work outdoors in the summer to protect them from heatstroke, and we pay them high temperature bonuses.

Supplier Safety Management

For high-risk work carried out by external suppliers, we prioritize qualified suppliers with national and industry qualifications, require them to strictly follow national OHS laws, and require them to provide protective measures for high-risk jobs to protect employee safety across the supply chain.

Fire Safety

In strict accordance with the *Fire Control Law of the People's Republic of China*, we have installed fire control facilities and devices including firefighting water systems, automatic fire alarm/linkage control systems, gas leak alarm systems, emergency lighting systems, evacuation indicator systems, fire extinguishers, fire hydrants, and gas fire extinguishers. In addition, fire control facilities and equipment are regularly inspected, maintained, and repaired to ensure that fire control systems remain in good condition. Our *Safety Management Manual* and other internal systems integrate safety monitoring management, fire control standards, and fire emergency plans.

3.4 Employees Caring

SOHO China proactively cares for employees' physical and mental health, helping them realize their professional and personal pursuits, and developing a corporate culture of integrity, unity, and innovation while building up a team of experts.

In 2018, we continued improving the employee office environment and quality, providing them with a good, healthy working environment. We often remind our employees to pay attention to their physical health, prompt them to prevent colds and other contagious diseases based on the season, and also prepare daily use medicines in the office. The headquarters and companies at all levels organized health examinations and held OHS seminars for the employees. Precautionary measures against heat and cold are taken in summer and winter. We provide all employees with comfortable working environments, clean drinking water, and regular office disinfection to maintain office cleanliness and sanitation, and have continuously improved employee dormitories so that employees feel our full care.

Furthermore, suitable jobs are arranged for pregnant female employees, and they are allowed to wear comfortable and appropriate casual clothes at work. Breastfeeding mothers are entitled to one hour of breastfeeding leave each working day.

3.5 Employee Development and Training

Employee development is the driving force for continued enterprise growth. We are acutely aware that sustainable development is closely related to human resources, and are therefore committed to cultivating experts and developing the management team, giving fully play to each employee's potential, encouraging them to pursue personal development, and helping them to balance development on both the corporate and individual levels. In 2018, we continued improving our training system, and made full use of knowledge management platforms to improve employee's learning enthusiasm and performance. We also continued improving our performance appraisal system and increased investment in talent building to help them grow and prosper. In 2018, 10 special training events were organized on the knowledge management platform, including 29 training sessions of 65.7 training hours, with 5,254 trainees. 312 routine Category III training sessions were organized for asset management and property projects, with 551.5 training hours and 6,536 trainees. In addition, 36 special and routine examination activities and 222 examination sessions were organized in 2018, covering 24,274 employees.

Training System

SOHO China, with its diverse occupational development needs, provides professional skills training and organizes regular examination for employees at all levels. Only those who pass course exams may take up corresponding work. We have established different training systems corresponding to the varied development needs of each business segment. Several times in 2018, SOHO China organized system-wide training on information technology, law, and other technical and professional skills. Meanwhile, online courses regarding financial knowledge, English, and other professional kills were developed and made accessible to all employees to improve their occupational skills.

Property management is an important part of SOHO China's services, therefore complete staff training is essential to operations. We have a well-developed training system to meet the talent development requirements of each position, containing professional knowledge, rules, policies, and position-specific skills. The Property Center also has a full-time training manager to organize and institutionally guarantee staff training.

Knowledge Management Platform

In order to facilitate good continuous study habits, we have established an internal knowledge management platform offering all kinds of interactive online training courses, which improves training flexibility by allowing employees to choose time and place of study. We also use incentive policies to develop and produce E-courses on the platform with the aim of encouraging employees to develop courses based on their own job skills and integrate their professional knowledge and experience into quick courseware and mini-courses for sharing with other employees of the Company. Doing so forms interaction mechanisms and records abundant industry and professional knowledge, for the sake of both employees and the Company.

4. SUPPLY CHAIN MANAGEMENT

Sharing resources with suppliers and achieving mutual benefit are SOHO China's consistent principles. We continuously optimize our supplier management to boost sustainable development of the whole industry chain.

SOHO China has taken a series of actions to boost the efficiency of supplier management. We contractually specify that suppliers must comply with applicable local laws and regulations, and have formulated a *Blacklist System* for supplier control. After review and verification, only those qualified and conforming to our warehousing standards can be added to our official supplier base. When registering on our procurement website, they are required to provide information on industry-specific and system certifications.

At the same time, SOHO China also requires that each new supplier sign the *SOHO China Commitment Letter*, and read and accept the *Blacklist System*. Any breach of laws, regulations, or rules triggers immediate termination of cooperation. In 2018, we improved the communication and feedback methods on our procurement platform website to encourage reporting of corruption, and committed independent full-time personnel for investigation. Meanwhile, our Audit Department and Procurement Center have kept in close contact with each department to ensure open, fair and impartial tendering and procurement. In order to mitigate any risks arising from cooperation with blacklisted suppliers, we also publicize their information on the procurement platform website for reference by social enterprises and individuals. By the end of 2018, we took actions against 166 suppliers in violation of the system requirements and added them to the blacklist.

ERP Management

SOHO China has adopted the supplier resource sharing strategies of joint tendering and centralized procurement for projects at different locations, thereby reducing procurement costs, improving procurement efficiency, and reducing supplier risks.

An ERP supplier database system allows us to manage suppliers, classifying them based on service qualifications and recording complete information on business registration, service qualification, contracts signed, and performance evaluations, etc.

Business Intelligence System

The SOHO China Business Intelligence (BI) system is designed and developed to display real-time data at each step of tendering and procurement. This system provides a basis for Company data analysis to formulate procurement strategies, makes better use of big data and intelligence, and is gradually becoming a network-based technical management platform.

As of 31 December 2018, SOHO China had 15,118 raw material suppliers, of which 8,552 were located in North China, and 5,404 were located in East China. Raw material suppliers located in North China and East China accounted for over 90% of the total.

Indicator	Number
Total number of suppliers	15,118
Suppliers in East China	5,404
Suppliers in South China	667
Suppliers in Central China	73
Suppliers in North China	8,552
Suppliers in Northwest China	48
Suppliers in Southwest China	107
Suppliers in Northeast China	80
Suppliers in Hong Kong, Macau and Taiwan	53
Overseas suppliers	134

Notes:

1. *The location of a supplier is determined by its registered address.*
2. *East China: Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong*
3. *South China: Guangdong, Guangxi and Hainan*
4. *Central China: Hubei, Hunan and Henan*
5. *North China: Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia*
6. *Northwest China: Ningxia, Xinjiang, Qinghai, Shaanxi and Gansu*
7. *Southwest China: Chongqing, Sichuan, Guizhou, Yunnan and Tibet*
8. *Northeast China: Liaoning, Jilin and Heilongjiang*
9. *Hong Kong, Macao and Taiwan: Taiwan, Hong Kong and Macao*

Green Procurement

SOHO China firmly adheres to the concept of green procurement. Since 2009, we have formulated procurement systems and specific requirements for all new projects in accordance with the Leadership in Energy and Environmental Design (LEED) Gold Standards of the U.S. Green Building Council (USGBC). Tender documents clearly specify our standards and requirements on sustainable development, including pollution control, waste management, the use of renewable, local, and low-emission materials in construction, and energy system testing, etc. Suppliers are also required to carry out the contracts in strict accordance with these requirements.

In 2018, SOHO China improved its online procurement system, and designed and adopted green and low-carbon bidding models. With the full implementation of our online procurement process, suppliers are not required to present their bids onsite, nor to submit paper schemes, reducing consumption of office suppliers and resource wastage caused by travel, while embodying the green and low-carbon development concept of SOHO China. These methods also correspond to our principles of openness and fairness to suppliers.

5. PRODUCT RESPONSIBILITY

SOHO China strictly follows national laws and regulations regarding product and service quality and responsibilities, including the *Law of the People's Republic of China on Protection of the Consumer's Rights and Interests*, the *Advertising Law of the People's Republic of China*, and the *Trademark Law of the People's Republic of China*, ensuring that our product and service quality remain at a high level within the industry. We are committed to improving the quality of each business link to win long-term trust from our customers.

5.1 Improving Industry Efficiency

As a leading Chinese commercial real estate developer, SOHO China pays attention not only to its own sustainable business development, but also to the efficiency and healthy development of the industry. We have proactively developed innovative cooperation models and established strategic cooperation with multiple leaders in various sectors to promote mutual improvement of the real estate industry and its ecosystem.

Case: SOHO China established strategic cooperation with China Telecom Beijing Branch to lead on 5G network coverage

SOHO China and China Telecom has officially signed a 5G strategic cooperation. The two sides agreed to jointly provide 5G network coverage and high-quality fixed mobile network service guarantee to users of SOHO China's buildings in Beijing, and to jointly promote 5G business applications and industry cooperation.

In the opinion of Mr. Pan Shiyi, Chairman of SOHO China, 5G is an advanced technology and important way to boost social progress. Thus, he proposed that all real estate developers, property owners and property managers proactively provide the conditions for 5G. Both sides of this deal will work together to provide top-quality network experience and better communication services to SOHO China's customers. In-depth cooperation between both sides in 5G and IT will further realize their complementary advantages, and the powerful alliance will drive continuous digital, information, and intelligent development of SOHO China.

Case: SOHO China cooperated with HAOZU to jointly establish China's first Internet commercial real estate distribution and leasing platform

To provide more flexible office services and products, SOHO China has pioneered the strategic Internet transformation from the traditional "development-sale" model to "development-holding." On 12 November 2018, the SOHO China Housing Distribution and Leasing Platform and SOHO 3Q System DOM collaborated with HAOZU to create an online operation and maintenance system, and even a platform, to further accelerate the online transformation of SOHO China.

This platform can help SOHO China better integrate housing sources from brokerage channels and small owners in real time. The operating advantages of the offline professional broker team of HAOZU will help SOHO China improve its efficiency and occupancy rate, and also improve industry efficiency.

5.2 Protection of Intellectual Property Rights

When purchasing and using application software, we demand that our staff and subordinate companies respect intellectual property rights, use genuine software, and avoid any security vulnerabilities and legal disputes arising from software copyright issues. In contracts signed with third parties, we specify that the copyrights for any software and solution development belong to SOHO China. Supplementary confidentiality terms are added to major contracts. For major projects, suppliers are required to sign nondisclosure agreements at the beginning of the project, and any issues regarding intellectual property are also set forth in detail. No confirmed confidentiality and copyright related violations or disputes were recorded in 2018.

5.3 Advertising and Labeling

In advertising and labeling, we adhere to applicable state, local, and industry laws, regulations, judicial interpretations, and industry self-regulatory rules. These include the *Advertising Law of the People's Republic of China*, the *Interim Measures for the Administration of Internet Advertising*, the *Enforcement Rules for Regulations on Control of Advertisement*, and the *Trademark Law of the People's Republic of China*. Based on the characteristics of real estate industry, we also strictly follow and implement the *Notice on Further Regulating the Operation of Real Estate Development Enterprises to Maintain Order in Real Estate Market* and the *Standards on Extending the Advertising Law Enacted in 2015* issued by the Ministry of Housing and Urban-Rural Development (MOHURD). We have also established internal labeling code and requirements, requiring headquarters, subsidiaries, and branches to strictly follow the *Advertising Law* and the Special Notice of MOHURD on Marketing Requirements.

We proactively apply for exclusive rights to use registered trademarks based on business development needs, and seek advice regarding registration, renewal and legal issues involving intellectual property suppliers in connection with the trademarks. Doing so not only safeguards our own private trademark rights through domestic and overseas trademark registration and monitoring, but also helps us to respect the trademark rights of our partners and strictly follow permitted trademark usage scopes, and our partners to resist infringement. In 2018, we established a complete legal management platform system and used it to effectively manage trademark applications and maintenance.

We strictly comply with the *Cybersecurity Law of the People's Republic of China* and the *Interpretation of Several Issues regarding the Application of Law in Handling Criminal Cases involving Infringement of Citizens' Personal Information* issued by the Supreme People's Court and the Supreme People's Procuratorate. Proactively responding to the call of our country, we have published a *Policy to Handle Fake SOHO China Websites* and *Procedures to Handle Fake SOHO China Websites* on the knowledge management platform so that all employees can study their contents, safeguard their own rights and interests, and jointly maintain security and order online.

5.4 Property Management Service

In order to continue improving and optimizing the efficiency and quality of our property management services, we have continuously standardized and improved our property management policy and service processes, and enhanced training for property managers.

We deeply understand customer demands, continue improving, and remain committed to fulfilling our social responsibilities to provide high-quality property management services to the customers in accordance with the *Property Law of the People's Republic of China,* the *Property Management Regulations*, and other related laws and regulations. In order to institutionally guarantee the healthy, safety, and quality of our services, SOHO China has developed a number of rules and policies including the *Management Manual on Quality, Environment and Occupational Health and Safety*, the *Customer Service Management Manual*, the *Engineering Management Manual*, the *Environmental Management Manual*, and the *Safety Management Manual*. Continuous advancement and service improvement are not only the development requirements imposed of the era, but the embodiment of our social responsibility. In 2018, in addition to existing rules and policies, we also revised the *SOHO Property Company Management Policy for Contract Performance*, the *SOHO China Property Company Land Management Policy*, and other institutional documents, and established new codes such as the *Policy on Managing Asset Management Companies and Property Project Plans*, the *Management Measures on Admission Procedures for Contractor Personnel*, and the *Policy on Management of Machine Rooms of Property and Asset Management Companies*.

This year, in order to provide better and more efficient services, SOHO China restructured its property management team, deepened Internet reform, and transferred more property management services to its online platform. We developed and launched a special equipment management platform to monitor equipment and facilities in real time to guarantee proper functioning. We issued the *Equipment and Facility Management Platform Policy* covering work related to equipment accounting, inspection, maintenance, repair, and energy consumption statistics, etc. Based on this Policy, frontline engineers can use the platform directly to ensure reliable and efficient operation of each facility. In view of special circumstances that may occur in daily work, we have formulated *Response and Control Procedures for Risks and Opportunities* to exercise control through prevention, mitigation and shared responsibility. On the basis of the *Emergency Preparation and Response Control Procedures*, we have developed the *Emergency Plan Compilation* to handle various special cases, including 12 measures and plans such as the *Measures for Handling Emergencies*, the *Emergency Measures for People Trapped in Elevators*, the *Fire Alarm, Firefighting and Evacuation Plan*, the *Public Health Emergency Response Plan*, and the *Measures for Handling Power Failure Emergencies*. In addition, we have a complete inspection system and have revised our *Management Measures for Property Quality Inspection and Evaluation* based on our management focus. The Quality Assurance Department takes the lead to inspect the performance of onsite service personnel, the environment, and operation of facilities each month in accordance with the *Management Measures for Property Quality Inspection and Evaluation*. They inspect and test elevators, secondary domestic water supply, sewage discharge, and firefighting facilities to ensure that each item conforms to regulations and requirements.

Regarding the principle of responsibility to customers, we also verified fulfillment of outsourced property management contracts in 2018, including non-engineering and engineering inspections. Non-engineering inspection mainly includes the height, weight, and age of each subcontractor's security personnel, and checking whether the age of their cleaning personnel and appearance and behavior of their other service personnel conform to contractually specified requirements. Engineering inspections check projects' construction status based on the *SOHO Property Company Management Policy for Contract Performance* and the *Management Policy on Execution of Engineering Outsourcing Contracts*, including the qualifications of personnel, the materials used, protection of finished products, and project quality. We intensify management and control of subcontractors by inspecting fulfillment of the outsourcing contracts to promptly discover any quality and safety hazards and gradually improve our service level. We regard the rights and interests of property owners and customers as our top priority. In order to guarantee fire safety, we inspect suspicious persons, violations of fire control rules and fire control facilities in accordance with the *Safety Management Manual*, including inspections of remodeling sites and gas leak alarms in restaurants, and fire safety inspections before holidays. In 2018, no accidents or fires related to our property projects occurred.

In our daily work, we take various measures to improve property management quality and provide our customers with a healthy and safe environment. In order to guarantee air quality, we have introduced a new air filtration system in buildings to purify indoor PM2.5, and we publish the test results daily via Weibo, elevator TVs, and other channels. In addition, we maintained the cleanness of water tanks and related equipment and facilities in compliance with the law. Our drinking water standards are in line with those for astronauts.

5.5 Customer Information and Privacy Protection

We strictly execute all management procedures involving customer privacy protection, and demand that our employees intensify their awareness of privacy concerns to protect customers' privacy and information security in strict accordance with the *Law of the People's Republic of China on Protection of Consumer Rights and Interests* and other relevant national laws and industry regulations, ensuring that no third party can access consumers' private information without prior permission. As for Internet privacy, we have also further introduced the *SOHO China Network Privacy Policy*. We have established a rigorous security management policy, and employ external auditors to supervise, audit, and maintain our policies in order to guarantee stable and safe operation. For hard copies and electronic versions of customer information, SOHO China has designated personnel to regularly manage data using designated computers to enhance customer data security and prevent any legal risks arising from information disclosure, safeguarding privacy in a practical and effective way. We strictly review requests from government organs with query rights and legal documentation (e.g. courts, procuratorates, and police stations) to access private information.

Furthermore, we carry out unified employee training on new business and emerging consumer privacy protection issues. Based on statistical data, there were no cases of infringement of individuals' information or privacy-related laws and regulations in 2018.

5.6 Customer Complaints

In order to provide real-time services to customers and efficiently handle their complaints and feedback, the property division of SOHO China has established a nationwide customer service center and standardized the complaint handling process. The center immediately sends the complaint information to the responsible department to promptly handle the problem. The personnel of the center are required to show up onsite in 15 minutes. The center subsequently returns to investigate the results of the complaint. Important complaint information is submitted to management that day. We maintain communication with our customers in good faith, and interact proactively with them. Meanwhile, to continuously improve our services, we regularly register and classify the complaint contents and compile, analyze, and summarize complaint information.

The customer calls the center of SOHO China or sends an email to the designated address → The center dispatches personnel based on the complaint/recommendation → Center personnel show up within 15 minutes → The center later returns for customer confirmation

Item	2018 data
Customer complaints (times)	104
Customer satisfaction (points)	96.95

Note: Customer satisfaction has been changed from percentage measurement to 100 points measurement since 2016. In 2018, SOHO China customer satisfaction increased compared with the previous year.

6. ANTI-CORRUPTION

SOHO China attaches great importance to anti-corruption efforts and integrity. We have increased anti-corruption publicity in production, operation, and management, continuously optimized the code of incorruptible employment, enhanced process supervision, and emphasized prevention and warning. In order to prevent bribery, extortion, and money laundering, we have intensified management policies regarding corruption, bribery, and internal control compliance management, in strict accordance with the laws and regulations with material impact on the Company, including the *Company Law of the People's Republic of China*, the *Law of the People's Republic of China on Anti-money Laundering*, the *Anti-Unfair Competition Law of the People's*

Republic of China, the *Interim Provisions Banning Commercial Bribery*, the *Anti-monopoly Law of the People's Republic of China* and the *Law of the People's Republic of China on Tenders and Bids*. We promote a corporate culture of "honesty, solidarity and innovation", and define our anti-corruption requirements Furthermore, we have raised the awareness of relevant personnel on business processes and improved corresponding risk control measures.

6.1 Cultivation of Employee Ethics

Our employees are required to stick to the anti-corruption bottom line, and they receive training and education regarding applicable laws and regulations. To this end, we have carried out the following activities: (i) We clearly stipulate requirements and guidelines regarding prevention of bribery, extortion and fraud in the Employee Handbook and have formulated relevant ethical policies, developed customized guidelines for different business lines and positions, and strictly require our personnel to comply with the *Employee Handbook*. Meanwhile, relevant departments regularly review and promptly update the Handbook and internal policies based on the latest laws and regulations to guarantee its timeliness. Each employee is required to sign a provision regarding "improper payment behaviors" in the Handbook for confirmation. (ii) We organize professional ethics training for new employees on a monthly basis. The Human Resources Department, the Internal Audit Department, the Legal Department and the Procurement Department organize professional training regarding the Handbook covering compliance and corruption. As one of the lecturers, the Internal Audit Department emphasizes the importance of corruption and material harm it causes to career development, as well as the Company's strict attitude towards such matters. In May 2018, the Legal Department organized training on professional ethnics and compliance for all employees, including unfair competition, bribery (relevant criminal law), money laundering, conflicts of interest, and gifts, aiming to enhance their awareness of SOHO China's corporate culture of "honesty, solidarity, and innovation", and to help them profoundly understand the danger of corruption and thus to jointly prevent such behaviors. We organize anti-corruption training on a yearly basis and test the business knowledge of main personnel, including the code of conduct. The test results form an important reference for performance appraisal and promotion. (iii) We conduct audits on specific businesses on every year to prevent bribery, extortion, and fraud.

6.2 Complaints and Follow-up Measures

We have established reporting hotlines, email addresses and website portal, providing direct reporting channels to ensure that employees and third parties can report any misconduct or questionable business from any employee or supplier to the Internal Audit Department. This system prevents commercial bribery, embezzlement, fraud, conflict of interest, falsification of financial data, and misuse of assets. We require our Internal Audit Department to continue improving complaint follow-up measures, case investigation, and handling efficiency.

Open and transparent complaint channels and efficient follow-up measures have helped SOHO China bridge the gaps with its customers and suppliers, helping enhance customer satisfaction and trust, and boosting sustainable corporate development. During the Year, we received 10 complaints, which fell into two categories: challenges of bidding results, and feedback on customer services. Upon investigation, we found that these complaints did not involve corruption, and they have been effectively resolved through smooth and effective communication.

During the Year, no cases were brought against SOHO China regarding corruption and bribery. We will further improve the anti-corruption system and form a rigorous management system, to prevent corruption risks.

7 COMMUNITY INVESTMENT

SOHO China founded the SOHO China Foundation in 2005, aimed at pushing ahead spiritual progress and growth together with social and material development. We are concerned about education, and students at all ages have been benefited from our public welfare programs of education.

7.1 SOHO China Scholarship

The SOHO China Scholarship Project is a US$100 million education grant initiative of SOHO China Foundation to provide financial aid for Chinese students pursuing undergraduate education at the world's top universities. Our mission is to provide China's most outstanding students with the best education in the world. In 2014, the SOHO China Scholarship signed donation agreements with Harvard University and Yale University, financially supporting Chinese students at these universities. In 2018, the Scholarship funded 42 Chinese undergraduates from both universities. By the end of 2018, it had funded a total of 129 man-time Chinese students.

7.2 Educational Poverty Alleviation in Panjizhai

SOHO China cares about students in poverty-stricken areas, and offers long-term sponsorships and support to students and teachers in Western China in terms of software and hardware. In 2018, we donated uniforms and stationary to students and teachers of Panjizhai School in Tianshui City, Gansu Province. We also refitted the student dormitories to improve the school environment, and mobilized and worked with the community to successfully introduce artificial intelligence (AI) education, further promoting the application of digital, intelligent and personalized teaching methods, and improving the current imbalance of educational resources through Internet technology. In 2019, we will build a kindergarten in Tianshui, Gansu to provide quality education for local preschoolers.

Case: SOHO China Foundation initiated a "Knowbox Technology-Artificial Intelligence Scholarship Program" in Panjizhai School

In November 2018, the SOHO China Foundation and Knowbox jointly initiated the "Knowbox Technology-Artificial Intelligence Scholarship Program" to establish the country's first primary school artificial intelligence teaching experimental class in Panjizhai School, Tianshui City – the first application of artificial intelligence teaching technological innovation in a public primary school.

Through Internet and artificial intelligence teaching technology, the program aims to provide intelligent and personalized teaching plans for teachers and students in rural schools, and to improve teaching through customized supporting artificial intelligence content, teacher training, teacher technology competence appraisals, and other comprehensive services. The artificial intelligence courses used in the program are based on Artificial Intelligence-Oriented-Content (AIOC), high-quality domestic and foreign teaching and research, and well-known teaching resources. Our customized multi-dimensional and multi-granular intelligent adaptive learning system is based on regional teaching characteristics and different individuals' learning patterns.

SOHO China's Chairman Mr. Pan Shiyi and Knowbox Founder Liu Ye attended class together with the students from Tianshui in Beijing

The first artificial intelligence class in Panjizhai School

FINANCIAL REVIEW

Turnover and rental income

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

Profitability

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

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

Cost control

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

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

Finance income and expenses

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

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

Valuation gains on investment properties

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

Income tax

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

Corporate bonds, bank borrowings and other borrowings and collaterals

As disclosed in the Company's announcements on 13 November 2015, 6 January 2016 and 22 January 2016, Beijing Wangjing SOHO Real Estate Co., Ltd.* (北京望京搜候房地產有限公司) ("Beijing Wangjing"), a wholly-owned subsidiary of the Company, announced to issue the domestic corporate bonds in the PRC with the aggregate principal amount of RMB3,000 million at the coupon rate of 3.45% for a term of three years (the "Wangjing Domestic Corporate Bonds"). As at 31 December 2018, the amount of the Wangjing Domestic Corporate Bonds was approximately RMB3,000 million. As of the date of this announcement, the Wangjing Domestic Corporate Bonds had been fully repaid upon expiration.

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

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

Risks of foreign exchange fluctuation and interest rate

As at 31 December 2018, offshore borrowings were approximately RMB723 million, accounting for approximately 3.5% of total borrowings of the Group. The Company's funding cost remained low at approximately 4.6% as at 31 December 2018. During the Year, the Group's operating cash flow and liquidity had not been subject to significant influence from fluctuations in exchange rate.

* *For identification purpose only*

Contingent liabilities

As at 31 December 2018, the Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans provided to buyers of property units. The amount of the guaranteed mortgage loans relating to such agreements was approximately RMB252 million as at 31 December 2018 (as at 31 December 2017: approximately RMB1,427 million).

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

Commitment

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

Employees and remuneration policy

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

The remuneration package of the Group's employees includes basic salary, bonuses and equity-settled share-based payment. Bonuses are determined on a monthly basis based on performance reviews. In particular, bonuses of each asset management team and SOHO 3Q team are determined on the profitability of each individual project.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Group include investment in 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 annual report. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the financial status of the Company and the Group as at 31 December 2018 are set out in the audited consolidated financial statements.

The Board recommend a declaration of a final dividend of RMB0.03 per share for the year ended 31 December 2018 (2017: nil), which is subject to the shareholders' approval at the forthcoming annual general meeting of the Company ("AGM").

Dividend Policy

The Board has approved and adopted a dividend policy (the "Dividend Policy") which, in recommending or declaring dividends, allows shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Company's future growth.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company (the "Articles of Association") and all applicable laws and regulations. There is no assurance that a dividend will be proposed or declared in any particular amount for any given period.

The Board shall consider the following factors before declaring or recommending dividends:

- property operation results;
- cash flow situation;
- actual and expected financial performance;
- capital requirements and expenditure plans;
- market conditions and business strategies; and
- any other factors that the Board may consider relevant.

Any dividend for a financial year of the Company will be subject to the shareholders' approval and must not exceed the amount recommended by the Board. The Board will continue to review the Dividend Policy from time to time.

FINANCIAL INFORMATION SUMMARY

A summary of the published financial results of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

Consolidated income statement for the years ended 31 December:

	2018	2017	2016	2015	2014
Unit: RMB'000					
Turnover	**1,720,860**	1,962,610	1,577,215	995,165	6,098,088
Profit before taxation	**2,957,422**	8,325,644	1,999,350	1,407,468	6,689,396
Income tax	**(1,008,774)**	(3,534,103)	(1,090,610)	(843,996)	(2,537,935)
Profit for the year	**1,948,648**	4,791,541	908,740	563,472	4,151,461
Attributable to:					
Equity shareholders of the Company	**1,924,966**	4,733,481	910,232	537,632	4,079,831
Non-controlling interests	**23,682**	58,060	(1,492)	25,840	71,630
Basic earnings per share (RMB)	**0.371**	0.912	0.175	0.104	0.781
Diluted earnings per share (RMB)	**0.371**	0.912	0.175	0.104	0.780
Interim dividend per share (RMB)	**–**	–	–	–	0.12
Final dividend per share (RMB)	**0.03**	–	–	–	0.13
Special dividend per share (RMB) *(Note)*	**–**	0.922	0.536	0.696	–

Consolidated balance sheet as at 31 December:

	2018	2017	2016	2015	2014
Unit: RMB'000					
Non-current assets	**61,027,478**	59,015,582	58,263,115	57,714,069	59,088,013
Current assets	**9,071,567**	12,201,960	9,142,730	14,118,003	17,731,159
Current liabilities	**8,994,514**	12,011,751	12,813,107	12,007,112	11,516,800
Net current assets/(liabilities)	**77,053**	190,209	(3,670,377)	2,110,891	6,214,359
Total assets less current liabilities	**61,104,531**	59,205,791	54,592,738	59,824,960	65,302,372
Non-current liabilities	**25,311,094**	25,478,494	18,945,061	22,102,432	24,842,404
Net assets	**35,793,437**	33,727,297	35,647,677	37,722,528	40,459,968
Share capital	**106,112**	106,112	106,112	106,112	106,112
Reserves	**34,640,698**	32,598,240	34,432,900	36,493,759	39,257,039
Total equity attributable to equity shareholders of the Company	**34,746,810**	32,704,352	34,539,012	36,599,871	39,363,151
Non-controlling interests	**1,046,627**	1,022,945	1,108,665	1,122,657	1,096,817
Total equity	**35,793,437**	33,727,297	35,647,677	37,722,528	40,459,968

SHARE CAPITAL AND SHARE OPTIONS

Details of changes in the Company's share capital and share options during the Year and details of the pre-IPO share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Pre-IPO Share Option Scheme") and the post-IPO share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Share Option Scheme") are set out in Notes 29 and 30 to the audited consolidated financial statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the Year are set out in the consolidated statements of changes in equity.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and there are no restrictions against such rights under the laws of the Cayman Islands.

PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Group during the Year are set out in Note 15 to the audited consolidated financial statements.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 18 November 2014, the Company, as borrower, entered into a credit agreement (the "2014 Credit Agreement") with a bank for the HK$1,170 million (the "Total Commitments of 2014 Bilateral Loan") 5-year transferable term loan facilities (the "2014 Bilateral Loan").

Pursuant to the terms of the 2014 Credit Agreement, the Company as borrower and certain subsidiaries of the Company, as guarantors, must, among others, procure that:

1. Mr. Pan Shiyi ("Mr. Pan") and Mrs. Pan Zhang Xin Marita ("Ms. Zhang"), directly or indirectly through The Little Brothers Settlement (the "Trust") constituted on 25 November 2005 by a deed of settlement between Ms. Zhang as settlor and HSBC International Trustee Limited as original trustee, which has been changed to Cititrust Private Trust (Cayman) Limited since January 2016, under which Ms. Zhang is also the protector and a beneficiary, in aggregate, remain the beneficial ownership of not less than 51% of the entire issued share capital of the Company; and

2. (i) Mr. Pan or Ms. Zhang remains as the chairman of the Company at all times; or (ii) Mr. Pan or Ms. Zhang remains as the chief executive officer of the Company at all times, unless the chairman or the chief executive officer is replaced by a person approved by the majority lenders within 30 days from the date each of Mr. Pan and Ms. Zhang ceases to be either the chairman or the chief executive officer of the Company (as the case may be).

Failing that, among other things, all or part of the Total Commitments of 2014 Bilateral Loan may be cancelled and/or all outstanding liabilities of the Company under the 2014 Credit Agreement and/or other documentation in relation to the 2014 Bilateral Loan will become immediately due and payable.

On 3 November 2017, the Company, as borrower, and certain subsidiaries of the Company, as guarantors, entered into a credit agreement (the "2017 Credit Agreement") with a syndicate of banks for the US$400 million equivalent (the "Total Commitment of 2017 Syndicated Loan") 1-year term loan facility (the "2017 Syndicated Loan").

Pursuant to the 2017 Credit Agreement, the Company must, among others, ensure that:

1. Mr. Pan or Ms. Zhang remains as the chairman of the Company at all times;

2. Mr. Pan or Ms. Zhang remains as the chief executive officer of the Company at all times; and

3. Mr. Pan and Ms. Zhang, directly or indirectly through trust arrangement, nominee shareholder or otherwise, must, in aggregate, remain the beneficial owners of not less than 51% of the entire issued share capital of the Company.

If any of the above covenants is breached, the facility agent may, and shall if so instructed by the majority lenders, by notice to the Company, (a) cancel all or part of the Total Commitment of 2017 Syndicated Loan; (b) declare that all or part of the amounts outstanding under the 2017 Credit Agreement and/or other documentation in relation to the 2017 Syndicated Loan are (i) immediately due and payable, and/or (ii) payable on demand by the facility agent acting on the instructions of the majority lenders; and/or (c) exercise or direct the security agent to exercise any or all of its rights, powers, authorities, discretions or remedies under the 2017 Credit Agreement and other documentation in relation to the 2017 Syndicated Loan.

As at 31 December 2018, the repayment of 2017 Syndicated Loan has been completed.

As at 31 December 2018, the Trust is the beneficial owner of approximately 63.9309% of the entire issued share capital of the Company.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Pan Shiyi *(Chairman)*
Mrs. Pan Zhang Xin Marita *(Chief Executive Officer)*
Ms. Yan Yan *(President)* (resigned on 8 March 2018)
Ms. Tong Ching Mau *(Chief Financial Officer)* (resigned on 17 August 2018)

Independent non-executive Directors ("INEDs")

Mr. Sun Qiang Chang
Mr. Cha Mou Zing, Victor (resigned on 17 August 2018)
Mr. Xiong Ming Hua
Mr. Huang Jingsheng (appointed with effect from 1 August 2018)

Each of Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita has entered into a service contract with the Company for a term of three years commencing from 1 January 2017, which may be terminated by either party by serving not less than one month's prior written notice. Each of Mr. Sun Qiang Chang and Mr. Xiong Ming Hua has entered into an appointment letter with the Company for a term of three years commencing from 8 May 2018, which may be terminated by either party serving not less than three months' written notice to the other. Mr. Huang Jingsheng has entered into an appointment letter with the Company for a term of three years commencing from 1 August 2018, which may be terminated by either party serving not less than three months' written notice to the other.

Ms. Yan Yan resigned as an executive Director on 8 March 2018 in order to pursue her personal commitments. On 17 August 2018, Ms. Tong Ching Mau resigned as an executive Director and Mr. Cha Mou Zing, Victor resigned as an independent non-executive Director, respectively, in order to pursue other commitments.

In accordance with Article 87(1) of the Articles of Association, Mrs. Pan Zhang Xin, Marita and Mr. Sun Qiang Chang shall retire by rotation at the AGM, and being eligible, have offered themselves for re-election.

In accordance with Article 86(3) of the Articles of Association, Mr. Huang Jingsheng shall hold office until the AGM, and being eligible, has offered himself for re-election.

Save as disclosed above, no Director standing for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any such subsidiary within one year without payment of compensation other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Executive Directors

Mr. Pan Shiyi

Chairman of the Board

Mr. Pan Shiyi, aged 56, is an executive Director and Chairman of the Board. Mr. Pan co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995. Since then he has led, together with his wife, Mrs. Pan Zhang Xin Marita, the development of all of the Company's projects, and developed the Company into the largest Grade A office developer in Beijing and Shanghai. In 2015, Mr. Pan introduced SOHO 3Q, a flexible and convenient new product, leading the trend of sharing of offices in the mobile internet era.

In 2014, SOHO China Foundation launched the SOHO China Scholarships Program, a USD100 million initiative supporting financial aid for Chinese students at leading international universities.

Mr. Pan was elected as "Real Estate Person of the Year" by sina.com in 2009 and 2010, Ernst & Young Entrepreneur of the Year China 2008, one of the "Top Ten Influential Figures in Real Estate Industry" by sina.com in 2004 and 2006, and one of the "25 most influential business leaders" in China by Fortune (China) Magazine in 2005. In 2011, Mr. Pan was selected again as "Real Estate Person of the Year" by sina.com and in 2012, and he was selected as "China Real Estate Leader of the Year on Weibo" by sina.com. In June 2013, Mr. Pan was awarded the "Jury's special" of the 5th SEE-TNC Ecology Award. In December 2013, Mr. Pan was selected as "The Most Social Responsible Person in Real Estate" by Tencent.com. In 2014, Mr. Pan was selected as one of the "Philanthropic Faces of the Year" by People magazine. In 2015, Mr. Pan was invited by Mr. Bill Gates to join the Breakthrough Energy Ventures fund. In 2016, Mr. Pan was listed on the "CBN Innovation 50" by CBN Weekly.

Mrs. Pan Zhang Xin Marita

Chief Executive Officer

Mrs. Pan Zhang Xin Marita ("**Ms. Zhang**"), aged 53, is an executive Director and the Chief Executive Officer of the Company ("**CEO**"). Ms. Zhang co-founded SOHO China in 1995. As CEO, she has led the Company to become one of the largest developers of prime office real estate in China. SOHO China has developed over 5 million sq.m. (54 million square feet) in projects in Beijing and Shanghai. Ms. Zhang's collaborations with world-renowned architects have resulted in iconic landmark buildings that transformed Chinese skylines.

Born in Beijing in 1965, Ms. Zhang moved to Hong Kong at the age of 14, where she worked as a factory girl for five years. Determined to pursue higher education, she made her way to England where she earned a Bachelor's degree in Economics from the University of Sussex and a Master's degree in Development Economics from Cambridge University.

After working in investment banking at Goldman Sachs and Travelers Group, she returned to Beijing to co-found SOHO China with her husband Mr. Pan Shiyi. In 2007, SOHO China was successfully listed on the Stock Exchange raising proceeds of US$1.9 billion, Asia's largest commercial real estate IPO then.

Ms. Zhang's rags-to-riches story has embodied the rise of China's entrepreneurship, making her a celebrity CEO at home and a sought after voice on China abroad. Active on Weibo, China's "twitter", Ms. Zhang frequently shares her views on business, entrepreneurship and fitness with her over 10 million followers.

Ms. Zhang has received international awards for her role as an architectural patron in China and as an entrepreneur. In 2002, she was awarded a special prize at the 8th la Biennale di Venezia for Commune by the Great Wall, a private collection of architecture.

Ms. Zhang is a trustee of MoMA, a trustee of Asia Society, a member of World Economic Forum, Davos, a member of the Asia Business Council, a member of the Global Board of Advisors at the Council on Foreign Relations and the Harvard Global Advisory Council. Ms. Zhang holds an honorary Doctor of Laws from the University of Sussex and has served as visiting fellow at the Harvard Kennedy School.

In 2005, Ms. Zhang and her husband Mr. Pan Shiyi established the SOHO China Foundation, a charity organization that promotes education to improve social mobility. In 2014, the SOHO China Foundation launched the SOHO China Scholarships, a US$100 million initiative providing financial aid for Chinese students at leading international universities. Gift agreements totaling US$25 million have been signed with Harvard University and Yale University. The Scholarships currently supports more than 40 Chinese students pursuing undergraduate degrees at the partner universities.

Recognized for their commitment to sustainability, Ms. Zhang and her husband Mr. Pan Shiyi are members of the Breakthrough Energy Coalition spearheaded by Bill Gates to fund technology developments that will enable a zero-emissions energy future. The Company has taken great strides to build LEED certified developments and all SOHO China properties use smart technology to achieve up to 40% energy saving.

Independent non-executive Directors

Mr. Sun Qiang Chang

Mr. Sun Qiang Chang, aged 62, is an independent non-executive Director. He is the Managing Partner for China at TPG, a global alternative investment firm. Prior to joining TPG, he founded and was the Chairman of Black Soil Group Ltd., an agriculture impact investing company. Before founding Black Soil, he was the Chairman, Asia Pacific at Warburg Pincus, a global private equity firm. Prior to joining Warburg Pincus, he was the Executive Director of Asia Investment Banking Department at Goldman Sachs Hong Kong. Mr. Sun has extensive experience in private equity investments for 27 years.

Mr. Sun obtained his Bachelor of Arts degree from the Beijing Foreign Studies University and completed a post-graduate program offered by the United Nations, where he worked as a staff translator in New York for 3 years. Mr. Sun earned a joint degree of MA/MBA from the Joseph Lauder Institute of International Management and the Wharton School of the University of Pennsylvania.

Mr. Sun is the founder and current honorary chairman of the China Venture Capital and Private Equity Association (CVCA) and the founder and current Executive Vice Chairman the China Real Estate Developers and Investors' Association (CREDIA). Mr. Sun is also a member of the Board of Governors of the Lauder Institute at the Wharton School and a member of The China Entrepreneur Club.

Mr. Xiong Ming Hua

Mr. Xiong Ming Hua, aged 54, is an independent non-executive Director. Mr. Xiong is the founder and chairman of Seven Seas Partners, a venture capital firm focusing on investing cross border technology companies in the United States and China. Mr. Xiong was the former Chief Technology Officer for Tencent Holdings Limited (a company listed on the Stock Exchange, Hong Kong Stock Code: 700) from 2005 to 2013, where he was responsible for product strategy planning of the overall platform, new product innovation, research and development of core technologies, and management for engineering excellence. Previously he worked at Microsoft Corporation for 9 years as program manager in Internet Explorer, Windows and MSN product groups, and as founding director of MSN China Development Center. Prior to that, Mr. Xiong worked as staff programmer of Internet Division of IBM Corporation in New York. Mr. Xiong received his Bachelor of Engineering Degree in Information System Engineering from National University of Defense Technology in 1987 and a Master of Science Degree in Information Retrieval from Chinese Defense Science and Technology Information Center in Beijing in 1990.

Mr. Huang Jingsheng

Mr. Huang Jingsheng, aged 61, is an independent non-executive Director. Mr. Huang is Managing Executive Director at Harvard Center Shanghai ("Harvard"). He came to Harvard from a distinguished venture capital and private equity career. Most recently, Mr. Huang was Partner of TPG Growth ("TPG") and RMB Funds ("RMB"), based in Shanghai, China. Before TPG, he was Managing Director at Bain Capital LLC, where he set up and ran its Shanghai operations. His other investment positions included Managing Director China at SOFTBANK Asia Infrastructure Fund ("SAIF"), Partner at SUNeVision Ventures and Senior Manager of Strategic Investment at Intel Capital. Before his investment career, Mr. Huang worked as Director of Research Operations at Gartner Group, Co-founder/Vice President of Marketing at Mtone Wireless and English Lecturer at Communication University of China. Before joining Harvard, Mr. Huang served as member of the Board of Governors at China Venture Capital Association ("CVCA") and Deputy Chairman of Shanghai Private Equity Association ("SHPEA"). Mr. Huang received an M.B.A from Harvard Business School, an M.A. from Stanford University and a B.A. from Beijing Foreign Studies University. Mr. Huang serves as an independent non-executive director of Besunyen Holdings Company Limited, which is listed in the main board of the Stock Exchange.

Senior Management

Ms. Ni Kuiyang

Chief Financial Officer

Ms. Ni Kuiyang, aged 41, is the Chief Financial Officer of the Company. She joined the Company in July 2008 and served as the Company's Financial Controller from 2011 to 2013. Ms. Ni was appointed as the Company's Vice President in 2014 and was appointed as Chief Financial Officer in October 2018. Ms. Ni has over 20 years of experience in accounting and finance. She received her Bachelor Degree in Accounting from China University of Petroleum in 1999 and she is a fellow of CPA.

Ms. Xu Jin

Vice President

Ms. Xu Jin, aged 47, is our Vice President and is responsible for assets and property management of the Company. Ms. Xu joined the Company in February 2001 and since then has acted as director of human resources department, director of procurement department and Vice President. Ms. Xu received a Bachelor of Engineering Management degree from Beijing Wuzi University in 1994. She has over twenty years of relevant experience in the real estate development industry in China.

Ms. Fang Liwei

Vice President

Ms. Fang Liwei, aged 38, is our Vice President and the chief executive officer of SOHO3Q, she is responsible for operation and management of the co-working business SOHO3Q under SOHO China. She joined the company in May 2014 as a General Manager of "the Commune by the Great Wall", a Soho China managed property. She studied at Tourism School in Switzerland, majored in Hotel Management. Before joining the Company, she used to work for one of the largest international hotel management group.

Mr. Xu Qiang

Vice President

Mr. Xu Qiang, aged 47, is our Vice President in charge of property construction and development. He joined the Company in July 1999. Mr. Xu has acted as the project manager, project director and Vice President of our Company. During his 19 years of service with our Company, he has been in charge of project management of SOHO New Town, Jianwai SOHO, Guanghualu SOHO, Sanlitun SOHO, Wangjing SOHO, Sky SOHO, Bund SOHO, SOHO Tianshan Plaza and Gubei SOHO etc. Mr. Xu obtained his Bachelor's Degree in Heating Ventilation and Air Conditioning Engineering from Beijing Institute of Civil Engineering and Architecture in 1994.

Mr. Qian Ting

Vice President

Mr. Qian Ting, aged 42, is our Vice President and is responsible for property leasing, management and en-bloc transaction of the investment properties of the Company. Mr. Qian joined the Company in October 2002 and has acted as the director of our leasing department. Mr. Qian received his Bachelor's Degree in Trade and Economy from Renmin University of China in 2000. Mr. Qian has 19 years' experience in property sales and leasing in China.

Company Secretary

Ms. Wong Sau Ping

Ms. Wong Sau Ping is the company secretary of the Company (the "Company Secretary"). Ms. Wong was appointed as the Company Secretary of the Company on 12 October 2018. Ms. Wong is an associate director of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field and is an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

DIRECTORS' REMUNERATION

The Directors' remunerations are determined by the Board, as authorized by the Company's annual general meeting held on 29 May 2018 (the "2018 AGM"), with reference to the Directors' duties, responsibilities and performance as well as the financial results of the Group.

Remuneration details of each Director for the year ended 31 December 2018 are set out as follows:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing Allowance RMB'000	Estimated money value of benefit RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Executive directors							
Pan Shiyi (Chairman)	240	2,160	883	35	124	55	3,497
Pan Zhang Xin Marita	240	1,920	301	–	186	–	2,647
Yan Yan*	45	462	308	6	106	9	936
Tong Ching Mau*	151	1,093	730	–	71	–	2,045
Independent non-executive directors							
Huang Jing Sheng**	118	–	–	–	–	–	118
Cha Mou Zing, Victor***	179	–	–	–	–	–	179
Xiong Ming Hua	283	–	–	–	–	–	283
Sun Qiang Chang	283	–	–	–	–	–	283
Total	1,539	5,635	2,222	41	487	64	9,988

Notes:

* *Yan Yan and Tong Ching Mau resigned on 8 March 2018 and 17 August 2018 respectively.*

** *Huang Jing Sheng was appointed with effect from 1 August 2018*

*** *Cha Mou Zing, Victor resigned on 17 August 2018*

Note: Where applicable, these represent the fair value of the awarded shares and share options granted to the Directors under the Employees' Share Award Scheme and the Share Option Scheme. The value of these awarded shares and share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(p)(ii) of the audited consolidated financial statements. Details of these benefits in kind, including the principal terms and number of awarded shares and share options granted, are disclosed in Note 30 of the audited consolidated financial statements.

During the Year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived or agreed to waive any remuneration during the Year.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration is determined with reference to the senior management's duties, responsibilities and performance, as well as the financial results of the Group.

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management of the Group of by band for the year ended 31 December 2018 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0 – 1,000,000	0
1,000,001 – 2,000,000	2
2,000,001 – 3,000,000	2
3,000,001 – 4,000,000	1

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) (the "SFO")), which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

(i) Interests in the ordinary shares of the Company

Name	Personal interests	Family interests	Corporate interests	Number of ordinary shares	Approximate percentage of shareholding
Pan Shiyi	–	3,324,100,000 (L) *(Note 2)*	–	3,324,100,000 (L)	63.9309%
Pan Zhang Xin, Marita	–	–	3,324,100,000 (L) *(Note 3)*	3,324,100,000 (L)	63.9309%

Notes:

(1) (L) represents long position in shares or underlying shares.

(2) Mr. Pan had deemed interests in 3,324,100,000 Shares held by his spouse, Mrs. Pan Zhang Xin Marita as mentioned in Note (3) below. According to the DI form filed by Mr. Pan Shiyi on 1 January 2018, Mr. Pan is now a beneficiary of a discretionary trust that was founded by his spouse, Ms. Pan Zhang Xin, Marita.

(3) Each of Boyce Limited and Capevale Limited ("Capevale BVI"), both of which were incorporated in the British Virgin Islands, was interested in 1,662,050,000 Shares. Boyce Limited and Capevale BVI are the wholly-owned subsidiaries of Capevale Limited (Cayman Islands) ("Capevale Cayman"), which was incorporated in the Cayman Islands. Cititrust Private Trust (Cayman) Limited (in its capacity as trustee) is the legal owner of 100% of the shares in the issued share capital of Capevale Cayman. Cititrust Private Trust (Cayman) Limited held these shares under the Trust, for the benefit of the beneficiaries of the Trust, including Mrs. Pan Zhang Xin Marita.

(ii) Interests in the ordinary shares of the Company's associated corporations

Name	Name of associated corporation	Nature of interest	Share capital (USD)	Approximate percentage of shareholding
Pan Shiyi	Beijing Redstone Jianwai Real Estate Development Co., Ltd.	Interest of controlled corporation	1,275,000 *(Note)*	4.25%
	Beijing SOHO Real Estate Co. Ltd.	Beneficial owner	4,950,000	5.00%
	Beijing Redstone Newtown Real Estate Co., Ltd.	Beneficial owner	500,000	5.00%
	Beijing Shanshi Real Estate Co., Ltd.	Beneficial owner	1,935,000	5.00%

Note: These interests were held by Beijing Redstone Industry Co., Ltd.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2018, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors or the chief executive of the Company, the following shareholders of the Company had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Cititrust Private Trust (Cayman) Limited *(Note 2)*	Trustee	3,324,100,000 (L)	63.9309% (L)
Capevale Cayman *(Note 2)*	Interests of controlled corporation	3,324,100,000 (L)	63.9309% (L)
Boyce Limited *(Note 3)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)
Capevale BVI *(Note 4)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)

Notes:

(1) (L) represents long position in shares or underlying shares.

(2) Cititrust Private Trust (Cayman) Limited (in its capacity as trustee of the Trust) is the legal owner of 100% of the shares in the issued share capital of Capevale Cayman, a company incorporated in the Cayman Islands. Capevale Cayman wholly owns Boyce Limited and Capevale BVI, each of which was interested in 1,662,050,000 Shares. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to be interested in the 3,324,100,000 Shares held by Boyce Limited and Capevale BVI via its interest in Capevale Cayman under the Trust for the benefit of the beneficiaries, including Mrs. Pan Zhang Xin Marita.

(3) Boyce Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Cayman.

(4) Capevale BVI, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Cayman.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2018, there was no other person who had interest or short position in the shares or underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded into the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this report, no transactions, arrangements or contracts of significance, in relation to the Group's business to which the Company or any of its subsidiaries was a party in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Company's prospectus dated 21 September 2007 (the "Prospectus"), as at 31 December 2018, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in the sections headed "Employees' Share Award Scheme" and "Share Option Scheme" below, at no time during the Year were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, nor were there any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable any Directors to acquire such rights in any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company's articles of association provides that every Director and other officers shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective office or trust or otherwise in relation thereto provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

EMPLOYEES' SHARE AWARD SCHEME

The Company adopted the Employees' Share Award Scheme on 23 December 2010. The purpose of the Employees' Share Award Scheme is to recognize the contributions by certain employees of the Group, to give incentives to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

During the Year, the trustee of the Employees' Share Award Scheme did not purchase nor sell any Shares. During the Year, no shares (2017: nil) was granted to employees of the Group.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 14 September 2007, which shall be valid and effective for a period of ten years commencing from 14 September 2007. The Share Option Scheme expired on 13 September 2017. The purpose of the Share Option Scheme is to provide the participants who have been granted options (the "Options") under the Share Option Scheme to subscribe for Shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company for the benefit of the Company and its shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Share Option Scheme, the Board may make an offer to (i) any directors (including executive directors, non-executive directors and independent non-executive directors), employees and officers of any member of the Group and (ii) any advisers, consultants, agents, business partners, joint venture business partners and service providers of any member of the Group (collectively, the "Business Associates"), as the Board may in its absolute discretion select, to take up the Options (collectively, the "Participants"). The amount payable by a Participant upon acceptance of a grant of Options is HKD1.00.

Unless approved by the shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) under the Share Option Scheme and any other share option scheme adopted by the Company in any twelve-month period must not exceed 1% of the Shares in issue. Any further grant of Options which would result in the number of Shares issued as aforesaid exceeding the said 1% limit will be subject to prior shareholders' approval with the relevant Participant and his close associates (as defined in the Listing Rules) abstaining from voting. The period within which the Options may be exercised shall expire no later than ten years from the relevant date on which the offer of the grant of an Option is made to a Participant.

The subscription price of any Option granted under the Share Option Scheme may be determined by the Directors provided that it shall be no less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the offer date; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the offer date; and (iii) the nominal value of a Share on the date of grant.

As 31 December 2018, the Company has no outstanding Options carrying the rights to subscribe for Shares (2017: 8,184,000 Shares) representing approximately 0.00% (31 December 2017: 0.16%) of the total number of issued shares of the Company as at 31 December 2018 and the date of this report. No Options were cancelled during the Year (2017: nil). 8,184,000 Options were lapsed due to the resignation of Ms. Yan Yan with effect from 8 March 2018 during the Year. (2017: nil).

Details of the Options granted under the Share Option Scheme and those remained outstanding as at 31 December 2018 are as follows:

		Number of Options					
Name and class of grantees	Date of grant	Outstanding as at 1 January 2018	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2018
Director							
Yan Yan (resigned on 8 March 2018)	6 November 2012 *(Note 1)*	8,184,000	–	–	–	8,184,000	–
Total		**8,184,000**	**-**	**-**	**-**	**8,184,000**	**-**

Note:

(1) Details of Options:

Number of Options granted	Exercise period	Exercise price per Share HKD	Closing price per Share immediately prior to the grant date HKD
8,184,000	6 November 2013 to 5 November 2022*	5.53	5.67

* *The Options granted on 6 November 2012 are exercisable from the commencement of the exercise period until the expiry of the Options which is on 5 November 2022. 10% of such Options (round up to the nearest whole number constituting a board lot size or its multiples) are exercisable on each of the first six anniversaries from the date of grant and the remaining 40% of such Options are exercisable after the seventh anniversary of the date of grant, subject to the terms and conditions of the Share Option Scheme.*

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and Employees' Share Award Scheme of the Company as set out in this Directors' Report, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2018, the percentage of revenue from sales of goods or rendering of services of the Group to the Group's five largest customers amounted to less than 5%.

For the year ended 31 December 2018, the percentage of purchases by the Group for the Year attributable to the Group's five largest suppliers amounted to approximately 15%, and the Group's largest supplier accounted for approximately 5%.

So far as the Board is aware, neither the Directors, their close associates nor any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers during the Year.

BUSINESS REVIEW

A review of the business of the Group during the Year, a discussion on the Group's future business development and a discussion on the Group's environmental policies are provided in the Director's Report and the ESG report on pages 16 to 42 of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 2 to 5 of this annual report. Also, the financial risk management policies of the Group can be found in Note 4 to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Group Financial Summary on pages 47 to 48 of this annual report. In addition, relationships with its key stakeholders are provided in this Directors' Report on page 45 and pages 61 to 63 of this annual report. Compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 66 to 81 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MATERIAL LEGAL PROCEEDINGS

To the knowledge of the Directors, there was no material legal proceedings during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Year. During the Year, the trustee of the Employees' Share Award Scheme did not purchase nor sell any Shares.

DEBENTURE ISSUED

In January 2016, Beijing Wangjing, a wholly-owned subsidiary of the Company, issued domestic corporate bond with principal amount of RMB3,000 million at the coupon rate of 3.45% for a term of 3 years.

AUDITOR

The consolidated financial statements of the Group for the Year have been audited by PricewaterhouseCoopers ("PwC"). A resolution for the re-appointment of PwC as auditors of the Company for the next financial year will be proposed at the forthcoming AGM.

On behalf of the Board

Pan Shiyi
Chairman
Hong Kong
29 March 2019

CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transaction (the "Transaction") with connected person of the Company within the meaning of the Listing Rules. Details of the Transaction have been described in the prospectus of the Company dated 21 September 2007 (the "Prospectus") under the heading "Relationship with Our Controlling Shareholders and Founders". The status of the Transaction of the Group as at 31 December 2018 and for the year then ended is set out below:

Continuing connected transaction for which had been sought from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules:

As disclosed in the Prospectus, pursuant to an agreement dated 24 July 2007, the outstanding amounts from the property purchase contracts and its supplemental agreements between Beijing Hongyun Co., Ltd. and Beijing ZhongHongTian Real Estate Co., Ltd. were in aggregate RMB3,916,128 as at 24 July 2007, 50% of which should be repayable on 30 June 2008 and the remaining 50% should be repayable on 31 December 2008. The outstanding amount bore an interest at the People's Bank of China's lending rate till the repayment dates, i.e. 30 June 2008 and 31 December 2008, respectively. As at 31 December 2018, the outstanding amount has been settled.

The executive Directors and independent non-executive Directors have reviewed the Transaction during the Year and confirmed that the Transaction has been entered into:

1. in the ordinary and usual course of business of the Company and its subsidiaries;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, the Company has engaged its auditor to perform procedures and report their findings regarding the Transaction entered into by the Group set out above for the year ended 31 December 2018. The auditor has issued a letter containing their findings and conclusions in respect of the Transaction set out above and a copy has been provided to the Stock Exchange. The Company confirms that it has complied with the disclosure and annual review requirements in accordance with Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and safeguarding the interests of the shareholders of the Company. The Company has adopted sound governance and disclosure practices, and is committed to continuously improving these practices and inculcating an ethical corporate culture.

Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report of the Company.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("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 had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. Under the leadership of the Chairman, the Board is also responsible for approving and overseeing the overall strategies and policies of the Company, approving the annual budget and business plans, assessing the Company's performance and supervising the work of the senior management.

The running of the day-to-day businesses of the Company is delegated by the Board to the management who is working under the leadership and supervision of the Board committees except that authority is reserved for the Board to approve interim and annual financial statements, dividend policy, annual budgets, business plan, and significant operational matters.

As at 31 December 2018, the Board comprised five Directors, including two executive Directors, namely Mr. Pan Shiyi (Chairman) and Mrs. Pan Zhang Xin Marita (Chief Executive Officer); and three independent non-executive Directors, namely Mr. Sun Qiang Chang, Mr. Xiong Ming Hua and Mr. Huang Jingsheng (details of their biographical information are set out in the section headed "Biographies of Directors and Members of Senior Management" of this annual report).

Regular Board meetings are held at least four times a year (at quarterly intervals) and any ad hoc meeting will be held when necessary. At least fourteen days notice will be given to all the Directors prior to any regular Board meeting and any relevant materials to be presented to a Board meeting will be provided to Directors at least three days before such Board meeting. The Directors are appointed by shareholders of the Company through ordinary resolutions or appointed by the Board to fill any casual vacancy on the Board or for new addition to the Board. At each annual general meeting, one-third (or, if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being shall retire from office by rotation but are eligible for re-election and re-appointment.

The Chairman of the Board, Mr. Pan Shiyi, is the husband of Mrs. Pan Zhang Xin Marita, an executive Director and the Chief Executive Officer of the Company. Save as disclosed above, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Board is established in accordance with the provisions of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise and the number of independent non-executive Directors represented at least one-third of the Board.

The Board's composition demonstrates a balance of core competence with regard to the business of the Company, so as to provide effective leadership and the required expertise to the Company.

Liability insurance for Directors and senior management officers was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board and the Chief Executive Officer of the Company are currently two separate positions held by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita respectively with clear distinction in responsibilities. The Chairman of the Board is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that issues raised at the Board meetings are explained appropriately. The Chief Executive Officer of the Company is responsible for the day-to-day management of the business of the Company, implementation of the policies, business objectives and plans set by the Board, and is accountable to the Board for the overall operation of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors were appointed for a term of three years, subject to retirement by rotation at the annual general meeting and being eligible, to offer themselves for re-election.

Pursuant to the guidelines provided in Rule 3.13 of the Listing Rules, the Company has received the confirmation of independence from each of the independent non-executive Directors, and thus the Board considers such Directors to be independent persons. The Board believes that the independent non-executive Directors are able to offer independent opinions on the Company's development strategy, risk management and management process, etc. so that the interests of the Company and all shareholders will be taken into consideration and duly safeguarded.

BOARD MEETINGS

During the Year, four Board meetings were held and below is the attendance of each of the Directors at the Board meetings:

Directors	Attendance/No. of Meetings
Executive Directors	
Pan Shiyi	4/4
Pan Zhang Xin Marita	4/4
Yan Yan (resigned on 8 March 2018)	1/4
Tong Ching Mau (resigned on 17 August 2018)	2/4
Independent non-executive Directors	
Sun Qiang Chang	4/4
Cha Mou Zing, Victor (resigned on 17 August 2018)	2/4
Xiong Ming Hua	4/4
Huang Jingsheng (appointed with effect from 1 August 2018)	2/4

During the Board meetings, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company.

PROVISION AND USE OF INFORMATION

- Minutes of all Board meetings and meetings of the Board committees are kept by designated secretaries, and will be available for inspection by any Director after giving reasonable notice.

- All Directors are entitled to receive advice and services from the Company Secretary to ensure due compliance with the terms of reference of the Board.

- Directors may have recourse to seek independent advice from professionals as appropriate and such fees incurred shall be borne by the Company.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Sun Qiang Chang, Mr. Xiong Ming Hua and Mr. Huang Jingsheng. The Audit Committee is chaired by Mr. Sun Qiang Chang, who has the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee is authorized by the Board to review the relevant financial reports and to give recommendations and advices, its duties include:

1. **Relationship with the Company's auditors**

   The duty to make recommendations to the Board on the appointment, re-appointment or removal of external auditors; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; to develop and implement policies on the engagement of the external auditors for providing non-audit services; to meet with the external auditors and discuss matters relating to the audit, if necessary, in the absence of the senior management of the Company.

2. **Review of financial information of the Company**

   The duty to monitor the integrity of financial statements of the Company as set out in the Company's annual reports and accounts and half-yearly reports, and to review any significant views of financial reporting contained in them.

3. **Monitor the Company's financial reporting system, risk management and internal control systems**

   Each of the Company's operational departments has established internal audit and supervisory functions for its operating procedures. The Audit Committee will also review the financial reporting system, risk management and internal control systems, discuss the risk management and internal control systems with the senior management to ensure the senior management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, as well as training programs and budgets of accounting and financial reporting functions.

   Details of the authorities and duties of the Audit Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange.

   In 2018, two meetings were held by the Audit Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meetings
Sun Qiang Chang *(Chairman)*	2/2
Cha Mou Zing, Victor (resigned on 17 August 2018)	2/2
Xiong Ming Hua	2/2
Huang Jingsheng (appointed with effect from 1 August 2018)	1/2

The Audit Committee had reviewed the internal audit plan report submitted by the internal audit department and the risk management and internal control systems, and recommended the Board on risk management and internal control matters. The Audit Committee had also reviewed the adequacy of resources, the interim results for the six months ended 30 June 2018 and the audited consolidated annual results of the Company for the year ended 31 December 2018 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

The Audit Committee had reviewed the auditors' fee for the year 2018, and recommended the Board to re-appoint PwC as the auditors of the Company for the year 2019, which is subject to the approval of shareholders of the Company at the forthcoming AGM.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises three independent non-executive Directors, namely Mr. Huang Jingsheng, Mr. Sun Qiang Chang, and Mr. Xiong Ming Hua. The Remuneration Committee is chaired by Mr. Huang Jingsheng. The Remuneration Committee is mainly responsible for determining remuneration packages of individual executive Directors and senior management of the Company, and making recommendations for the remuneration arrangements of non-executive Directors to the Board. Details of the authorities and duties of the Remuneration Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange.

During the Year, one meeting was held by the Remuneration Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Cha Mou Zing, Victor (resigned on 17 August 2018)	1/1
Huang Jingsheng *(Chairman)* (appointed as member of Remuneration Committee with effect from 1 August 2018 and re-designated as Chairman of Remuneration Committee on 17 August 2018)	1/1
Sun Qiang Chang	1/1
Xiong Ming Hua	1/1

A complete record of the minutes of the Remuneration Committee meetings is kept by the Company Secretary. The Remuneration Committee had reviewed the Company's remuneration policies, the terms of the service contracts and the performance of all executive Directors and the senior management. In the opinion of the Remuneration Committee, the remuneration payable to all executive Directors and the senior management is in accordance with the terms of the service contracts, such remuneration is fair and reasonable, and does not create any additional burden for the Company.

Remuneration details of each Director for the year of 2018 are set out in the section headed "Directors' Remuneration" of the Directors' Report and Note 35 to the audited consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises one executive Director and two independent non-executive Directors, namely Mr. Pan Shiyi, Mr. Xiong Ming Hua and Mr. Huang Jingsheng. The committee is chaired by Mr. Pan Shiyi. Details of the authorities and duties of the Nomination Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange. Its roles are highlighted as follows:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) to assess the independence of the independent non-executive Directors;

(4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and chief executive of the Company;

(5) to conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable law; and

(6) to ensure the chairman of the Nomination Committee, or in the absence of the chairman, another member of the Nomination Committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.

During the Year, one meeting were held by the Nomination Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Pan Shiyi *(Chairman)*	1/1
Cha Mou Zing, Victor (resigned on 17 August 2018)	1/1
Xiong Ming Hua	1/1
Huang Jingsheng (appointed with effect from 1 August 2018)	0/1

During the Year, the Nomination Committee had reviewed and discussed the number of employees and the Board structure and composition of the Company.

PROCEDURES FOR NOMINATION OF DIRECTORS

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the required written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Nomination Committee meeting to discuss and assess the suitability of the candidate and where appropriate, make recommendations to the Bard.

7. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

CRITERIA FOR NOMINATION OF DIRECTORS

1. Common criteria for all Directors

(a) Character and integrity.

(b) Willingness to assume board fiduciary responsibilities.

(c) Satisfying the present needs of the Board for particular experience or expertise.

(d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products/services and processes used by the Company.

(e) Significant business or public experience relevant and beneficial to the Board and the Company.

(f) Breadth of knowledge about issues affecting the Company.

(g) Ability to objectively analyse complex business problems and exercise sound business judgement.

(h) Ability and willingness to contribute special competencies to Board activities.

(i) Fit into the Company's culture.

2. Criteria applicable to non-executive Directors/independent non-executive Directors

(a) Willingness and ability to make sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and Board committee meetings.

(b) Accomplishments of the candidate in his/her field.

(c) Outstanding professional and personal reputation.

(d) For an independent non-executive Director, the candidate's ability to meet the independence criteria under the Listing Rules.

BOARD DIVERSITY POLICY

The Company adopted its board diversity policy (the "Board Diversity Policy") on 20 August 2013.

The Board Diversity Policy sets out the approach to achieve diversity on the Board, details of which are set out below.

Policy Statement

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factors.

The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of having a diverse Board. The Company believes that a diversity of perspectives can be achieved through taking into account a range of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company sees promoting diversity of perspectives at the Board level as an essential element in supporting the achievement of its business and strategic objectives and maintaining its sustainable development.

Measurable Objectives

The Nomination Committee has primary responsibility for identifying qualified candidates to become members of the Board and, in carrying out this responsibility, will give adequate consideration to this Board Diversity Policy. Board appointments will continue to be made on the basis of merit and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for supervising the preparation of the annual accounts, which give a true and fair view of the state of affairs, the operating results and the cash flows of the Group for the Year. In preparing the accounts for the year ended 31 December 2018, the Directors have selected suitable accounting policies and adopted appropriate accounting standards. Based on judgements and estimates that are prudent and reasonable, the Directors had ensured that the accounts are prepared on the going concern basis. The Directors have confirmed that the consolidated financial statements of the Group are prepared in compliance with the statutory requirements and appropriate accounting standards.

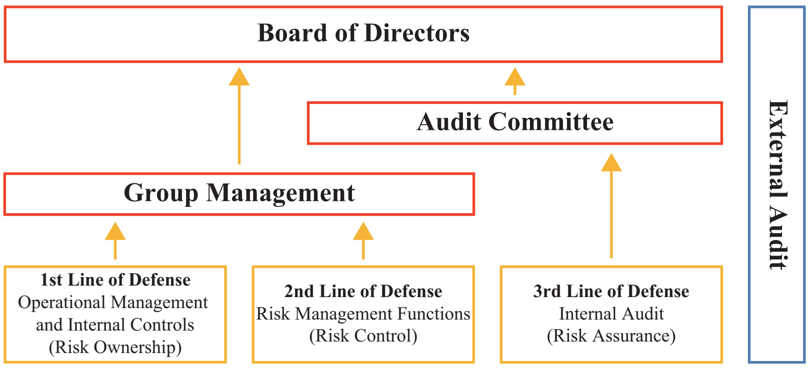
RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The Risk Management and Compliance department and the Group Internal Audit assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept regularly appraised of significant risks that may impact on the Group's performance.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with the relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Nevertheless, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than to eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the "Three Lines of Defense" model as shown below:



The Risk Management and Compliance department, which co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committee at each regularly scheduled meeting including, amongst other things, significant risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to the Risk Management and Compliance department on a half-yearly basis.

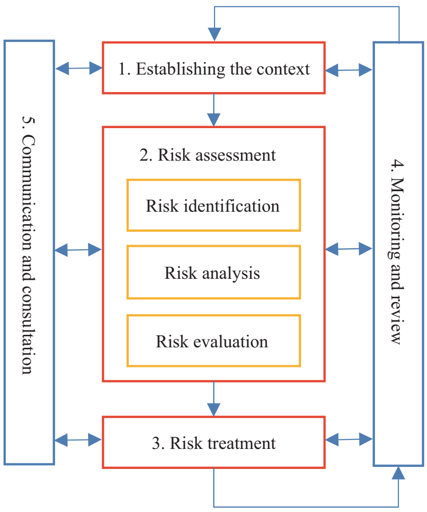
The Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls.

The Group Internal Audit adopts a risk-and-control-based audit approach. The annual work plan of the Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. Special reviews are also performed at the management's request. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progresses are reported to the Audit Committee periodically.

The Group Internal Audit provides independent assurance to the Board, the Audit Committee and the executive management of the Group on the adequacy and effectiveness of risk management and internal control systems for the Group. The Head of Group Internal Audit reports directly to the Chairman of the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the Group.

The senior management of the Group, supported by the Risk Management and Compliance department and the Group Internal Audit, is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems, and for providing regular reports to the Board and/or the Audit Committee on the effectiveness of these systems.

The Group adopts the principles of ISO 31000:2009 Risk Management – Principles and Guidelines as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:



1	Risk Management and Compliance department establishes common risk language and risk assessment criteria for the Group.
2	Business Units identify the risks which may potentially impact the achievement of their business objectives, and analyze and evaluate the significance of such risks.
3	Business Units assess the adequacy of existing controls, determine and implement treatment plans where risk mitigants are actionable.
4	Business Units monitor risk mitigating activities.
5	Risk Management and Compliance department tracks the progress of risk mitigating activities; reports the consolidated view of risks regularly to Audit Committee and other committees as appropriate; and share risk knowledge across Business Units to enhance the risk management standard of the Group. Group Internal Audit reports regularly to the Board to provide independent assurances on the effectiveness of risk management.

The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Group and its business practices in the future.

The Group has embedded its risk management and internal control systems into the core operating practices of the business. On an ongoing basis, the respective operating units of the Company will review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. This review process includes assessment as to whether the existing risk management and internal control systems continue to remain relevant, adequately address potential risks, and/or should be supplemented. The results of these reviews are recorded in the operating units' risk registers for monitoring and incorporated into the Group's consolidated risk register for analysis of potential strategic implications and for regular reporting to the senior management and Directors of the Company.

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairman of the Audit Committee has designated the Head of Group Internal Audit to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

The Group regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During 2018, the Risk Management and Compliance department has worked closely with the operating units, senior management and the Directors to enhance the Group's risk management and internal control systems. Such activities included, amongst other matters, increasing the number of training sessions and risk workshops; further standardization of risk reporting language, classification, and quantification; more closely aligning the assessment of internal controls with their potential risks; and increasing the depth and frequency of interaction with the designated Directors on the Group's risk management and internal control systems' design, operation, and findings. The Risk Management and Compliance department has presented update reports to the Board and the Audit Committee on the monitoring of the risk management and assisted the Directors in the review of the effectiveness of the risk management and internal control systems of the Group during the Year.

During 2018, the Group Internal Audit conducted selective reviews of the effectiveness of the risk management and internal control systems of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and procurement. Additionally, the heads of major business and corporate functions of the Group were required to undertake control and self-assessments of their key controls. These results were assessed by the Group Internal Audit and reported to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results or operations of the Group and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

In addition to the review of the risk management and internal control systems undertaken within the Group, the external auditors also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditors' recommendations are adopted and enhancements to the risk management and internal controls will be made.

AUDITORS' REMUNERATION

For the year ended 31 December 2018, remunerations paid and payable by the Group to its auditors for the provision of statutory audit services and non-auditing services amounted to RMB4.72 million. The non-auditing services mainly represented review of interim financial information, provision of agreed-upon procedures and Hong Kong tax compliance service.

EFFECTIVE COMMUNICATION WITH THE INVESTMENT COMMUNITY

The Company attaches great importance to effective and close communications with investors. The investor relations team of the Company seeks to provide the most efficient and effective channel for our shareholders, bondholders and the investment community to gain information about the Company. In addition to the regular interim and annual results announcements and reports and daily communications through emails and phone calls, the investor relations team also takes frequent and active participation in global investment conferences.

During the Year, the Company held the 2018 AGM on 29 May 2018 and below is the attendance of each Director:

	Attendance 2018 AGM
Executive Directors	
Mr. Pan Shiyi	0/1
Mrs. Pan Zhang Xin Marita	0/1
Ms. Yan Yan (resigned on 8 March 2018)	0/1
Ms. Tong Ching Mau (resigned on 17 August 2018)	1/1
Independence Non-Executive Directors	
Mr. Sun Qiang Chang	0/1
Mr. Cha Mou Zing, Victor (resigned on 17 August 2018)	0/1
Mr. Xiong Ming Hua	0/1
Mr. Huang Jingsheng (appointed with effect from 1 August 2018)	0/1

The 2018 AGM provided an ideal chance for communication between the Board and the shareholders of the Company to consider the re-election of Directors.

COMPANY SECRETARY

The Company engaged Ms. Mok Ming Wai, a director of the Listing Services Department of TMF Hong Kong Limited, as its Company Secretary during the period from 1 January 2018 to 12 October 2018 and engaged Ms. Wong Sau Ping, an associated director of the Listing Department of TMF Hong Kong Limited, as its Company Secretary during the period from 12 October 2018 to 31 December 2018. Their primary corporate contact person at the Company is Ms. Tong Ching Mau, the executive Director and Chief Financial Officer of the Company during the period from 1 January 2018 to 16 August 2018 and Ms. Ni Kuiyang, the Chief Financial Officer of the Company during the period from 17 August 2018 to 31 December 2018 respectively. In compliance with Rule 3.29 of the Listing Rules, each of Ms. Mok and Ms. Wong, has undertaken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting and putting forward proposals

Under the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting (an "EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to convene and put forward proposals at an EGM are stated as follows:

(1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong situated at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for the attention of the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, the Directors do not proceed to convene an EGM, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

Shareholders of the Company who intend to put forward their enquiries about the Company to the Board may email their enquiries to ir@sohochina.com.

Amendments to the Company's memorandum and articles of association

There was no significant change in the Company's constitutional documents during the Year.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his or her first appointment in order to enable him or her to have an understanding of the business and operations of the Company and be fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

During the Year, all the Directors, namely Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan, Ms. Tong Ching Mau, Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor, Mr. Xiong Ming Hua and Mr. Huang Jingsheng, were provided with regular updates on the Group's business, operations, and financial matters, as well as regulatory updates on applicable legal and regulatory requirements. In addition, all Directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancements of their professional development by way of attending training courses or via on-line aids or reading relevant materials.

CORPORATE INFORMATION

Executive Directors	Pan Shiyi *(Chairman)* Pan Zhang Xin Marita *(Chief Executive Officer)* Yan Yan (resigned on 8 March 2018) Tong Ching Mau (resigned on 17 August 2018)
Independent non-executive Directors	Sun Qiang Chang Xiong Ming Hua Huang Jingsheng (appointed with effect from 1 August 2018) Cha Mou Zing, Victor (resigned on 17 August 2018)
Company Secretary	Wong Sau Ping (appointed on 12 October 2018) Mok Ming Wai (resigned on 12 October 2018)
Members of the Audit Committee	Sun Qiang Chang *(Chairman)* Xiong Ming Hua Huang Jingsheng (appointed with effect from 1 August 2018) Cha Mou Zing, Victor (resigned on 17 August 2018)
Members of the Remuneration Committee	Huang Jingsheng *(Chairman)* (appointed with effect from 1 August 2018) Sun Qiang Chang Xiong Ming Hua Cha Mou Zing, Victor (resigned on 17 August 2018)
Members of the Nomination Committee	Pan Shiyi *(Chairman)* Huang Jingsheng (appointed with effect from 1 August 2018) Xiong Ming Hua Cha Mou Zing, Victor (resigned on 17 August 2018)
Authorised Representatives	Pan Zhang Xin Marita Wong Sau Ping (appointed on 12 October 2018) Mok Ming Wai (resigned on 12 October 2018)

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11/F, Tower A Chaowai SOHO 6B Chaowai Street Chaoyang District Beijing 100020 China
Principal Place of Business in Hong Kong	31/F Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Principal Share Registrar and Transfer Office in the Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Branch Share Registrar and Transfer Office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Hong Kong Legal Advisors	Stephenson Harwood 18th Floor, United Centre 95 Queensway Hong Kong
Auditors	PricewaterhouseCoopers 22/F, Prince's Building 10 Chater Road Central, Hong Kong

Principal Bankers	Agricultural Bank of China Limited Bank of China Limited Bank of Communications Co., Ltd. China Everbright Bank Company Limited China Merchants Bank Co., Ltd. Industrial and Commercial Bank of China Limited Standard Chartered Bank (Hong Kong) Limited The Hong Kong and Shanghai Banking Corporation Limited
Website address	www.sohochina.com
Stock Code	410

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SOHO China Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of SOHO China Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 176, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the valuation of investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 14 to the consolidated financial statements. The Group's investment properties were measured at fair value and carried at RMB58,338 million as at 31 December 2018 with a revaluation gain of RMB1,093 million for the year then ended. The fair value of investment properties was determined by the Group based on the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group. The Group's investment property portfolio in mainland China included completed investment properties and investment properties under development.	We assessed the competence, capabilities and objectivity of the Valuer. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied. We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, rentals per square meter, estimated prices per square meter and prevailing market land prices per square meter of investment properties by independently gathering and analysing the data of comparable properties in the market and the characteristics of individual investment property such as location and size.

Key Audit Matter	How our audit addressed the Key Audit Matter
• Completed investment properties: the valuation of these was derived from the average result of income capitalization approach and direct comparison method. For income capitalization approach, the relevant key assumptions included capitalization rate and rental per square meter. For direct comparison method, the relevant key assumption was estimated price per square meter, with reference to recent transactions of comparable properties and adjusted for differences in key attributes such as but not limited to location and property size. • Investment properties under construction: the valuation of these was derived from the average result of residual method and cost approach. For residual method, the relevant key assumptions included capitalization rates, rental per square meter, estimated price per square meter, development costs to completion and developer's profit margin. For cost approach, the relevant key assumption was the prevailing market land price per square meter. All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum of investment properties to the consolidated financial statements and the relevant key assumptions applied in valuation involved significant judgements and estimates.	We assessed the consistency of development costs to completion of each investment property under construction with the management's approved budget, and assessed the reasonableness of the assumption by comparison with the actual cost of completed investment properties of the Group. We assessed the reasonableness of the assumption on developer's profit margin by reference to the range of estimated and empirical developer's average profit margin in the industry. In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were in the acceptable range.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Notes	**2018** **RMB'000**	2017 RMB'000
Turnover	6	**1,720,860**	1,962,610
Cost of sales	7	**(435,497)**	(509,431)
Gross profit		**1,285,363**	1,453,179
Valuation gains on investment properties	14	**1,092,853**	7,125,702
Other gains – net	9	**987,816**	383,308
Other revenue and income	10	**644,932**	491,062
Selling expenses	7	**(37,472)**	(72,043)
Administrative expenses	7	**(240,069)**	(298,850)
Other operating expenses	7	**(305,315)**	(267,599)
Operating profit		**3,428,108**	8,814,759
Finance income	11	**121,276**	95,088
Finance expenses	11	**(591,962)**	(584,203)
Profit before income tax		**2,957,422**	8,325,644
Income tax expense	12	**(1,008,774)**	(3,534,103)
Profit for the year		**1,948,648**	4,791,541
Profit attributable to:			
Owners of the Company		**1,924,966**	4,733,481
Non-controlling interests		**23,682**	58,060
Profit for the year		**1,948,648**	4,791,541
Earnings per share (expressed in RMB per share)			
Basic earnings per share	13	**0.371**	0.912
Diluted earnings per share	13	**0.371**	0.912

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Notes	**2018**	2017
		RMB'000	RMB'000
Assets			
Non-current assets			
Investment properties	*14*	**58,338,000**	56,276,000
Property and equipment	*15*	**1,404,440**	1,194,330
Intangible assets		**4,067**	4,780
Deferred income tax assets	*18*	**603,951**	680,412
Trade and other receivables	*21*	**361,661**	326,761
Deposits and prepayments	*20*	**169,133**	169,133
Bank deposits	*22*	**130,051**	364,166
Financial assets at fair value through other comprehensive income		**16,175**	–
		61,027,478	59,015,582
Current assets			
Completed properties held for sale	*19*	**2,728,240**	2,820,840
Deposits and prepayments	*20*	**365,671**	302,427
Trade and other receivables	*21*	**411,500**	433,597
Bank deposits and structured bank deposits	*22*	**4,844,232**	260,194
Cash and cash equivalents	*23*	**721,924**	3,701,791
Assets of disposal group classified as held for sale	*24*	**–**	4,683,111
		9,071,567	12,201,960
Total assets		**70,099,045**	71,217,542
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*29*	**106,112**	106,112
Other reserves	*29*	**34,640,698**	32,598,240
		34,746,810	32,704,352
Non-controlling interests		**1,046,627**	1,022,945
Total equity		**35,793,437**	33,727,297

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	*25*	**16,730,195**	14,899,162
Corporate bonds	*28*	**–**	2,994,283
Contract retention payables		**518,644**	139,159
Deferred income tax liabilities	*18*	**8,062,255**	7,445,890
		25,311,094	25,478,494
Current liabilities			
Bank and other borrowings	*25*	**964,189**	3,140,391
Corporate bonds	*28*	**2,999,632**	–
Receipts in advance from customers and sale deposits	*26*	**98,528**	520,054
Contract liabilities	*26*	**108,729**	–
Trade and other payables	*27*	**2,972,596**	3,353,745
Current income tax liabilities		**1,850,840**	2,016,669
Liabilities of disposal group classified as held for sale	*24*	**–**	2,980,892
		8,994,514	12,011,751
Total liabilities		**34,305,608**	37,490,245
Total equity and liabilities		**70,099,045**	71,217,542

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 29 March 2019 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company											
	Notes	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	General reserve fund RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	29	*(b)*	*(c)*			*(c)*	*(c)*	*(c)*	*(c)*				
Balance at 1 January 2017		106,112	2,412,149	(30,726)	9,661	48,123	(1,820,700)	189,527	604,324	33,020,542	34,539,012	1,108,665	35,647,677
Profit for the year		–	–	–	–	–	–	–	–	4,733,481	4,733,481	58,060	4,791,541
Other comprehensive income		–	–	–	–	–	20,715	–	–	–	20,715	–	20,715
Total comprehensive income		–	–	–	–	–	20,715	–	–	4,733,481	4,754,196	58,060	4,812,256
Treasury shares	*29(b)(ii)*	–	–	(8,598)	–	–	–	–	–	–	(8,598)	–	(8,598)
Dividends approved in respect of the previous year		–	(1,796,777)	–	–	–	–	–	–	–	(1,796,777)	–	(1,796,777)
Dividends declared in respect of the current year		–	(599,315)	–	–	–	–	–	–	(4,188,168)	(4,787,483)	–	(4,787,483)
Employees' share award scheme	*30(b)*	–	–	–	–	2,729	–	–	–	–	2,729	–	2,729
Employees' share option schemes	*30(a)*	–	–	–	–	1,273	–	–	–	–	1,273	–	1,273
Vesting of shares under employees' share award scheme	*30(b)*	–	1,234	4,741	–	(5,975)	–	–	–	–	–	–	–
Dividends to non-controlling interest		–	–	–	–	–	–	–	–	–	–	(143,780)	(143,780)
Transfer to general reserve fund	*29(c)(v)*	–	–	–	–	–	–	–	40,721	(40,721)	–	–	–
Balance at 31 December 2017		106,112	17,291	(34,583)	9,661	46,150	(1,799,985)	189,527	645,045	33,525,134	32,704,352	1,022,945	33,727,297

		Attributable to owners of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve and other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	General reserve fund RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	29	*(b)*	*(c)*			*(c)*	*(c)*	*(c)*	*(c)*				
Balance at 1 January 2018		**106,112**	**17,291**	**(34,583)**	**9,661**	**46,150**	**(1,799,985)**	**189,527**	**645,045**	**33,525,134**	**32,704,352**	**1,022,945**	**33,727,297**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,924,966**	**1,924,966**	**23,682**	**1,948,648**
Other comprehensive income		**-**	**-**	**-**	**-**	**(209)**	**114,086**	**-**	**-**	**-**	**113,877**	**-**	**113,877**
Total comprehensive income		**-**	**-**	**-**	**-**	**(209)**	**114,086**	**-**	**-**	**1,924,966**	**2,038,843**	**23,682**	**2,062,525**
Employees' share award scheme	*30(b)*	**-**	**-**	**-**	**-**	**3,615**	**-**	**-**	**-**	**-**	**3,615**	**-**	**3,615**
Vesting of shares under employees' share award scheme	*30(b)*	**-**	**116**	**3,557**	**-**	**(3,673)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to general reserve fund	*29(c)(v)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**478**	**(478)**	**-**	**-**	**-**
Balance at 31 December 2018		**106,112**	**17,407**	**(31,026)**	**9,661**	**45,883**	**(1,685,899)**	**189,527**	**645,523**	**35,449,622**	**34,746,810**	**1,046,627**	**35,793,437**

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before taxation	**2,957,422**	8,325,644
Adjustments for:		
Valuation gains on investment properties	**(1,092,853)**	(7,125,702)
Depreciation and amortisation	**96,726**	59,238
Finance income	**(121,276)**	(95,088)
Interest expense	**593,031**	581,065
Net foreign exchange (gains)/losses	**(1,871)**	2,130
Gains on disposal of investment properties	**(210)**	(13,373)
Gains on disposal of subsidiaries	**(987,606)**	(369,959)
Losses on disposal of a joint venture	**–**	24
Losses from disposal of property and equipment	**1,342**	1,960
Equity-settled share-based payment expense	**3,615**	4,002
Changes in working capital:		
Increase in deposits and prepayments	**(74,383)**	(25,856)
Increase in trade and other receivables	**(17,721)**	(17,005)
Increase in completed properties held for sale	**(6,826)**	(170,488)
(Decrease)/increase in receipts in advance from customers and sale deposits and contract liabilities	**(32,694)**	219,775
Increase in trade and other payables	**65,842**	155,743
Cash generated from operations	**1,382,538**	1,532,110
Interest received	**109,851**	100,098
Interest paid	**(918,704)**	(837,356)
Income tax paid	**(211,514)**	(4,005,928)
Net cash generated from/(used in) operating activities	**362,171**	(3,211,076)

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cash flows from investing activities		
Payment for development costs and purchase of investment properties	**(824,035)**	(1,320,762)
Purchase of property and equipment	**(163,272)**	(9,258)
Proceeds from disposal of investment properties	**17,048**	149,549
Decrease/(increase) in bank deposits	**150,567**	(27,496)
Increase in structured bank deposits	**(2,500,490)**	–
Proceeds from disposal of subsidiaries, net	**2,579,943**	2,565,797
Income tax paid on disposal of subsidiaries	**(295,394)**	–
Purchase of intangible asset	**(922)**	–
Proceeds from disposal of a joint venture	**–**	6,253
Proceeds from disposal of property and equipment	**335**	–
Purchase of financial assets at fair value through other comprehensive income	**(16,384)**	–
Net cash (used in)/generated from investing activities	**(1,052,604)**	1,364,083
Cash flows from financing activities		
Proceeds from bank borrowings	**653,132**	12,159,830
Proceeds from other borrowings	**3,500,000**	–
Repayment of bank and other borrowings	**(4,472,047)**	(3,675,283)
Increase in restricted bank deposits	**(2,010,000)**	–
Purchase of treasury shares for employees' share award scheme	**–**	(8,598)
Dividends paid to equity shareholders of the Company	**–**	(6,584,260)
Dividends paid to non-controlling interest	**–**	(143,780)
Net cash (used in)/generated from financing activities	**(2,328,915)**	1,747,909
Net decrease in cash and cash equivalents	**(3,019,348)**	(99,084)
Cash and cash equivalents at beginning of the year	**3,701,791**	3,864,045
Exchange gains/(losses) on cash and cash equivalents	**39,481**	(48,063)
Cash and cash equivalents transferred to the assets of disposal group	**–**	(15,107)
Cash and cash equivalents at the end of the year	**721,924**	3,701,791

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

SOHO China Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in real estate development and investment. The Group has operations mainly in the People's Republic of China (the "PRC" or "China").

The Company is a limited liability company registered and incorporated in Cayman Islands. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements were approved for issue on 29 March 2019.

2 Significant accounting policies

2(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group.

2 Significant accounting policies (continued)

2(b) Basis of preparation

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

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

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

– Investment properties (see Note 2(e));

– Office premises (see Note 2(g));

– Financial assets at fair value through other comprehensive income(see Note 2(j));

– Structured bank deposits measured at fair value through profit or loss(see Note 2(j)).

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 5.

2 Significant accounting policies (continued)

2(c) Changes in accounting policies and disclosures

(i) New and amended standards effective on 1 January 2018 and adopted by the Group

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

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

Except for HKFRS 9 and HKFRS 15, which have been disclosed in Note 3, the adoption of these amendments did not have any material impact on the current period or any prior period and is not expected to significantly affect future periods.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

- *HKFRS 16, 'Leases'*

  Nature of change

  HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

  The accounting for lessors will not significantly change.

2 Significant accounting policies (continued)

2(c) Changes in accounting policies and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

- *HKFRS 16, 'Leases'* (continued)

  Impact

  The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's rentals from third parties as lessee.

  As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,447,771,000, see note 33.

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

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

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

  Date of adoption

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

  There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Significant accounting policies (continued)

2(d) Subsidiaries and non-controlling interests

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 2(l) or Note 2(m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in joint venture.

2 Significant accounting policies (continued)

2(d) Subsidiaries and non-controlling interests (continued)

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2(e) Investment properties

Investment properties are land and buildings which are owned to earn rental income and for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is measured initially at cost, including related transaction costs and borrowing costs, where applicable.

After initial recognition, investment properties, including completed investment properties and investment properties under construction, are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time.

Fair value is assessed by a professional independent valuer, based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(s) (ii).

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

2 Significant accounting policies (continued)

2(e) Investment properties (continued)

Transfers to or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) Commencement of an operating lease to another party, for a transfer from inventories to investment property.

(b) Commencement of development with a view to sale, for a transfer from investment property to inventories.

When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

2(f) Intangible asset

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which do not exceed 10 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2(g) Property and equipment

Office premises are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

2 Significant accounting policies (continued)

2(g) Property and equipment (continued)

Changes arising on the revaluation of office premises are generally dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Serviced apartment properties, that are owner-occupied properties from which the Group earns apartment service income, and equipment items are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)).

Leasehold improvement, office equipment and motor vehicles are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Leasehold improvements' estimated useful life is shorter of remaining lease term or useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to a working condition for its intended use. Expenditure incurred after the asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

2 Significant accounting policies (continued)

2(g) Property and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land and leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives within 10 to 40 years after the date of completion.

– Office equipment	5 years
– Motor vehicles	8 years

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2(h) Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. They are generally due for settlement within the normal operating cycle of the business and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2(j) for further information about the Group's accounting for trade receivables and note 4.1 for a description of the Group's impairment policies.

2 Significant accounting policies (continued)

2(i) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 2(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

2(j) Investments and other financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 Significant accounting policies (continued)

2(j) Investments and other financial assets (continued)

(i) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Significant accounting policies (continued)

2(j) Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss. As at 31 December 2018,no such debt instruments existed within the Group.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2 Significant accounting policies (continued)

2(j) Investments and other financial assets (continued)

(iii) Measurement (continued)

Equity instruments (continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group's financial assets include trade and other receivables, which are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Current and non-current receivables that are stated at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

2 Significant accounting policies (continued)

2(j) Investments and other financial assets (continued)

(v) Accounting policies applied until 31 December 2017 (continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

The impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2(k) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property and equipment (other than office premises carried at revalued amounts) and intangible assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

2 Significant accounting policies (continued)

2(k) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction cost incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 Significant accounting policies (continued)

2(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2(o) Disposal groups held for sale

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in the Company's annual financial statements for the year ended 31 December 2018.

2(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees under the employees' share option schemes and shares granted to employees under the employees' share award scheme (the "Awarded Shares") is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of share options is measured at grant date using the Black-Scholes Model or Binomial Tree Pricing Method, taking into account the terms and conditions upon which the options were granted. The fair value of Awarded Shares is measured at quoted share price at grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or Awarded Shares, the total estimated fair value of the options or Awarded Shares is spread over the vesting period, taking into account the probability that the options or Awarded Shares will vest.

2 Significant accounting policies (continued)

2(p) Employee benefits (continued)

(ii) Share-based payments (continued)

During the vesting period, the number of share options or Awarded Shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options or Awarded Shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the Awarded Shares are transferred to the employees (when it is credit to the treasury shares account) or the option expires (when it is released directly to retained profits).

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

2(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 Significant accounting policies (continued)

2(q) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. The presumption that the carrying amount of investment property carried at fair value under HKAS 40 will be recovered through sale is rebutted by the Group.

In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Significant accounting policies (continued)

2(q) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2 Significant accounting policies (continued)

2(r) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2(s) Revenue recognition

Revenue is measured in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transfer of properties or services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies.

2 Significant accounting policies (continued)

2(s) Revenue recognition (continued)

(i) Sale of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

As at 31 December 2018 and 2017, all the sale of properties where the control of the property is transferred at a point in time is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) Rental income from operating leases

Determined rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable rental income is recognised as income in the accounting period in which they are earned.

(iii) Rendering of services

Revenue from provision of services including property management service and hotel operations is recognised in the accounting period in which the services are rendered.

2 Significant accounting policies (continued)

2(s) Revenue recognition (continued)

(iv) Dividend

Dividend income from investments is recognised when the right to receive payment is established.

(v) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(vi) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is recognised in the accounting period in which the agency services are rendered.

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 15 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. The details of the previous accounting policy is set out below:

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as sales deposits.

2 Significant accounting policies (continued)

2(s) Revenue recognition (continued)

(vi) Commission income (continued)

Accounting policies applied until 31 December 2017 (continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Rendering of services

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference of surveys of work performed.

(iv) Dividend

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

2(t) Government grants

Government grants are recognised at fair value in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other revenue and income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2 Significant accounting policies (continued)

2(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation involving loss of control, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2(v) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 Significant accounting policies (continued)

2(w) Operating lease payments

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

2(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2(z) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2(aa) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2(ab) Treasury Shares

When the Group purchases its own shares and holds as treasury shares, the amount paid for the treasury shares is deducted from equity, and no gain or loss is recognised in profit or loss. The consideration paid or received for the purchase or sale of the Group's own equity instruments are recognised directly in equity.

2 Significant accounting policies (continued)

2(ac) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Changes in accounting policies

As explained in Note 2(c) above, the Group has applied HKFRS 9 and HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies.

3(a) HKFRS 9 Financial instruments

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

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

3 Changes in accounting policies (continued)

3(a) HKFRS 9 Financial instruments (continued)

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

3(b) HKFRS 15 Revenue from contracts with customers

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

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

3 Changes in accounting policies (continued)

3(b) HKFRS 15 Revenue from contracts with customers (continued)

(i) Presentation of contract liabilities

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

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

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

4 Financial risk management

4.1 Financial risk factor

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the executive directors.

(a) Market risk

(i) Foreign exchange risk

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk mainly on financing transactions denominated in the currency other than the Company and the subsidiaries' functional currency (HKD and RMB respectively). Depreciation or appreciation of RMB against HKD can affect the Group's results. Under the Linked Exchange Rate System in Hong Kong, HKD is pegged to USD, management considers that there is no significant foreign exchange risk with respect to USD. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

4 Financial risk management (continued)

4.1 Financial risk factor (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

The amounts denominated in the currency other than the functional currency of the individual entities to which they relate were as follows:

	2018 RMB'000	2017 RMB'000
RMB		
– Cash and cash equivalents	**1,761**	5,699
– Amounts due from subsidiaries	**726,574**	712,675
– Amounts due to subsidiaries	**(695,051)**	(674,893)

As at 31 December 2018, if RMB had weakened/strengthened by 5% against HKD with all other variable held constant, post-tax profit for the year of the Group would have been RMB1,664,000 lower/higher (2017: RMB2,174,000 lower/higher).

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings mainly including bank and other borrowings, which are disclosed in Note 25. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and bank deposits held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2018, if interest rates have increased/decreased by 100 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalisation, would decrease/increase by approximately RMB98,423,000 (2017: RMB111,288,000).

4 Financial risk management (continued)

4.1 Financial risk factor (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets.

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not deliver properties to tenants before it receives the rental deposits and would not release the property ownership certificates to the buyers before the buyers fully settle the selling price.

The recoverability of trade and other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors. As at 31 December 2018, the management does not expect any significant losses after taking into consideration of expected credit loss.

The Group has the following types of financial assets that are mainly subject to the expected credit loss model:

- trade receivables

- other receivables

While bank balance are also subject to the impairment requirements of HKFRS 9, the Group expects that there is no significant credit risk since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(i) Trade receivables

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. Besides the amount of RMB32,001,000 which was individually determined to be impaired and full loss allowance was prepared in previous years, trade receivables have been grouped based on shared credit risk characteristics and the days past due, and historical actual default information. The expected credit loss also incorporate forward looking information.

4 Financial risk management (continued)

4.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

As at 31 December 2018, the expected credit loss rate was assessed as follows for trade receivables and the impairment loss impact was immaterial to the consolidated financial statements.

31 December 2018	Current	Less than 1 month past due	Into 6 months past due	6 months to 1 year past due	More than 1 year past due
Expected loss rate	0.1%	0.5%	1%	5%	10%

The loss allowance on this basis on 1 January 2018 following adoption of HKFRS 9 is immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables during the year.

(ii) Other receivables

For other receivables already in place at 1 January 2018, the Group applies the general approach for expected credit loss prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

The Group uses three-stage approach for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

4 Financial risk management (continued)

4.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flow	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Besides the amount of RMB28,143,000 which was individually determined to be impaired and full allowance made in previous years, the loss allowance recognised for the remaining amount of other receivables was limited to 12 months expected losses since their credit risk has not significantly increased after initial recognition.

4 Financial risk management (continued)

4.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

As at 31 December 2018, the expected credit loss rate was assessed as follows for other receivables and the impairment loss impact was immaterial to the consolidated financial statements.

31 December 2018	Deposits for services procurement	Receivables from third parties other than government related bodies	Others
Expected credit loss rate	0.1%	0.5%	0.5%

The loss allowance on this basis on 1 January 2018 following adoption of HKFRS 9 is immaterial.

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year.

(c) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group and aggregated by the Group finance team. The Group finance team monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecast process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

4 Financial risk management (continued)

4.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018					
Bank and other borrowings	**1,680,018**	**2,471,190**	**4,741,223**	**15,548,891**	**24,441,322**
Corporate bonds	**3,007,373**	**–**	**–**	**–**	**3,007,373**
Contract retention payables	**–**	**264,833**	**206,289**	**47,522**	**518,644**
Trade and other payables excluding non-financial liabilities	**2,906,835**	**–**	**–**	**–**	**2,906,835**
Guarantees	**251,578**	**–**	**–**	**–**	**251,578**
	7,845,804	**2,736,023**	**4,947,512**	**15,596,413**	**31,125,752**
At 31 December 2017					
Bank and other borrowings	3,799,611	1,641,197	4,244,047	12,965,904	22,650,759
Corporate bonds	103,500	3,008,625	–	–	3,112,125
Contract retention payables	–	–	139,159	–	139,159
Trade and other payables excluding non-financial liabilities	3,250,475	–	–	–	3,250,475
Guarantees	1,426,885				1,426,885
	8,580,471	4,649,822	4,383,206	12,965,904	30,579,403

4 Financial risk management (continued)

4.2 Capital management

Consistent with industry practice, the Group monitors its capital structure on the basis of the ratio of the total of bank and interest bearing borrowings to the total assets. The bank and interest bearing borrowings include bank and other borrowings of RMB17,694,384,000 as disclosed in Note 25 and corporate bonds of RMB2,999,632,000 as disclosed in Note 28. As at 31 December 2018, the ratio was 29.52% (2017: 32.31%).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

4.3 Fair value estimation

Investment properties, office premises included in property and equipment and financial assets at FVOCI/FVPL are stated at fair value, other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2018 and 2017.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

The table below analyses financial statements carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018 and 2017. See Note 14 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
At 31 December 2018				
Investment properties	**–**	**–**	**58,338,000**	**58,338,000**
Property and equipment				
– office premises	**–**	**–**	**288,984**	**288,984**
Financial assets at fair value through profit or loss				
– structured bank deposits	**1,970,490**	**530,000**	**–**	**2,500,490**
Financial assets at fair value through other comprehensive income				
– equity investment in a private fund	**–**	**–**	**16,175**	**16,175**
Total assets	**1,970,490**	**530,000**	**58,643,159**	**61,143,649**
Assets				
At 31 December 2017				
Investment properties	–	–	56,276,000	56,276,000
Office premises	–	–	298,338	298,338
Total assets	–	–	56,574,338	56,574,338

There were no transfers between Level 1, Level 2 and Level 3 during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

5 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of investment properties

As described in Note 14(b), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuer after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential. Details of the valuation approaches for investment properties are set out in Note 14(b).

(b) Income taxes and land appreciation tax ("LAT")

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in property development and property investment in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

6 Segment information

(a) Segment reporting

The Group manages its businesses based on future development strategy of current projects, which are divided into properties development and properties investment operations. In a manner consistent with the way in which information is reported internally to the Group' senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

(i) Development properties

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

(ii) Investment properties

This segment mainly includes investment projects which are held for rental.

(b) Segment results, assets and liabilities

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

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

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

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

Management is provided with segment information concerning turnover, cost of properties sold, cost of rental business, gross profit, valuation gains on investment properties, net operating expenses, depreciation and amortisation, finance income, finance expenses, income tax expense, investment properties, completed properties held for sale, cash and cash equivalents, bank deposits and structured bank deposits, bank and other borrowings, segment assets, segment liabilities and additions to investment properties and property and equipment.

6 Segment information (continued)

(b) Segment results, assets and liabilities (continued)

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

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

6 Segment information (continued)

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

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

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. All revenues from external customers of the Group are derived in the PRC for the years ended 31 December 2018 and 2017.

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

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

6 Segment information (continued)

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

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

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

7 Expense by nature

	Notes	2018 RMB'000	2017 RMB'000
Building tax and other tax expenses		**250,218**	318,182
Employee benefits expense	*8*	**220,291**	209,483
Utilities and property maintenance expenses		**148,461**	129,786
Leasing expenses	*(i)*	**124,280**	–
Depreciation and amortisation		**96,726**	59,238
Office expenses		**48,925**	61,912
Rental commission		**48,079**	63,726
Advertising and marketing expenses		**31,714**	58,156
Tax consulting service expenses		**6,450**	28,557
Auditors' remuneration			
– Audit services		**3,950**	4,925
– Non-audit services		**772**	848
Costs of properties sold		**(3,736)**	183,692
Other expenses		**42,223**	29,418
Total cost of sales, selling expenses, administrative expenses and other operating expenses		**1,018,353**	1,147,923

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

8 Employee benefit expense

	Note	**2018 RMB'000**	2017 RMB'000
Salaries, wages and other benefits		**202,443**	191,490
Contributions to defined contribution retirement plan		**14,233**	13,991
Equity-settled share-based payment expenses	*30*	**3,615**	4,002
		220,291	209,483

The Group participates in a defined contribution retirement scheme established by the relevant municipal government in the PRC for its staff.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: four) directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining three (2017: one) individuals during the year are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	**8,054**	2,235
Retirement scheme contributions	**166**	51
	8,220	2,286

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in RMB)		
RMB2,000,000 – RMB3,000,000	**2**	1
RMB3,000,000 – RMB4,000,000	**1**	–

During the year ended 31 December 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 Other gains – net

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

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

The transaction was completed on 16 April 2018. The net gain on disposal of RMB987,606,000 is recognised in the 'other gains – net'. The details of the disposal are set out in Note 31.

10 Other revenue and income

	Note	2018 RMB'000	2017 RMB'000
Government grant	*(i)*	**276,293**	171,369
Income on lump sum basis property management service		**167,379**	177,510
Hotel operations income		**81,255**	54,265
Income on commission basis on property management		**38,739**	38,602
Others		**81,266**	49,316
		644,932	491,062

(i) Government grant represents the reward received by the Group in accordance to the related local policies. There are no unfulfilled conditions or other contingencies attaching to these grants.

11 Finance income and finance expenses

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

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

12 Income tax expense

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

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

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

12 Income tax expense (continued)

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

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

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

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

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

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

13 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB1,924,966,000(2017: RMB4,733,481,000) and the weighted average of 5,191,638,000 ordinary shares (2017: 5,192,530,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Notes	**2018 Share'000**	2017 Share'000
Issued ordinary shares at the beginning		**5,199,524**	5,199,524
Effect of treasury shares	*29(b)(ii)*	**(8,005)**	(7,375)
Effect of Awarded Shares vested	*30(b)*	**119**	381
Weighted average number of ordinary shares during the year		**5,191,638**	5,192,530

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,924,966,000 (2017: RMB4,733,481,000) and the weighted average of 5,191,638,000 ordinary shares (2017: 5,192,530,000), calculated as follows:

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

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

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

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

14 Investment properties

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
At 1 January 2017	48,926,000	6,161,000	55,087,000
Additions	253,621	889,525	1,143,146
Transferred from completed properties held for sale	1,133,328	–	1,133,328
Disposal of subsidiaries	(3,446,000)	–	(3,446,000)
Disposal of investment properties	(126,176)	–	(126,176)
Investment properties classified as held for sale	(4,641,000)	–	(4,641,000)
Fair value gains recognised in profit or loss	4,204,227	2,921,475	7,125,702
At 31 December 2017	46,304,000	9,972,000	56,276,000
At 1 January 2018	**46,304,000**	**9,972,000**	**56,276,000**
Additions	**55,268**	**930,717**	**985,985**
Disposal of investment properties	**(16,838)**	**–**	**(16,838)**
Fair value gains recognised in profit or loss	**680,570**	**412,283**	**1,092,853**
At 31 December 2018	**47,023,000**	**11,315,000**	**58,338,000**

(a) Valuation basis

The following table analyses the fair value of the investment properties.

Description	Fair value measurements at 31 December using significant unobservable inputs (Level 3) 2018 RMB'000	2017 RMB'000
Investment properties:		
– Investment properties under construction	**11,315,000**	9,972,000
– Completed investment properties located in Beijing	**25,088,000**	24,662,000
– Completed investment properties located in Shanghai	**21,935,000**	21,642,000
	58,338,000	56,276,000

14 Investment properties (continued)

(a) Valuation basis (continued)

Valuation process of the Group

The Group's investment properties were valued at 31 December 2018 and 31 December 2017, by the independent professionally qualified valuer, Jones Lang LaSalle Limited ("JLL"), who holds recognised relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the Audit Committee ("AC").

At the end of each financial reporting period the finance department:

- Verifies all major inputs to the independent valuation report;
- Analyses property valuation movements and changes in fair values when compared to the prior period valuation report;
- Holds discussions with the independent valuer and reports to the CFO and AC.

(b) Valuation basis

Valuation techniques

For investment properties under construction, the valuation of these was derived from the average of residual method and cost approach.

For completed investment properties, the valuation of these was derived from the average of income capitalization approach and direct comparison method.

There were no changes to the valuation techniques during the year.

Under direct comparison method, comparable properties are selected and adjusted for differences in key attributes such as but not limited to locational factor and property size. The significant input for this valuation approach is estimated price (per square meter).

Under income capitalization approach,the significant unobservable inputs as follows:

14 Investment properties (continued)

(b) Valuation basis (continued)

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2018 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction	11,315,000	Residual method and cost approach	Estimated price (Per square meter)	RMB53,000-RMB65,744	The higher the price per square, the higher the fair value
			Cost to completion (Per square meter)	RMB2,685-RMB6,174	The higher the cost to completion, the lower the fair value
			Developer's profit (Per square meter)	RMB3,301-RMB6,058	The higher the developer's profit, the lower the fair value
			Prevailing market land price (Per square meter)	RMB29,000-RMB40,000	The higher the prevailing market land price, the higher the fair value
			Capitalization rate	4.6%-4.8%	The higher the capitalization rate, the lower the fair value

14 Investment properties (continued)

(b) Valuation basis (continued)

Information about fair value measurements using significant unobservable inputs (continued)

Description	Fair value at 31 December 2018 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties located in Beijing	25,088,000	Income capitalization approach and direct comparison method	Capitalization rate	4.6%-6.6%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	RMB4.4-RMB16.5	The higher the rental per square meter, the higher the fair value
			Estimated price (Per square meter)	RMB43,749-RMB145,482	The higher the price per square, the higher the fair value
Completed investment properties located in Shanghai	21,935,000	Income capitalization approach and direct comparison method	Capitalization rate	4.6%-5.9%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	RMB4.0-RMB13.8	The higher the rental per square, the higher the fair value
			Estimated price (Per square meter)	RMB39,000-RMB98,000	The higher the price per square, the higher the fair value

(c) Certain investment properties of the Group were pledged against the bank and other borrowings, details are set out in Note 25.

15 Property and equipment

	Buildings and leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2017				
Cost	865,429	124,491	5,618	995,538
Accumulated depreciation	(124,386)	(70,224)	(4,989)	(199,599)
Net book amount	741,043	54,267	629	795,939
Year ended 31 December 2017				
Opening net book amount	741,043	54,267	629	795,939
Additions	455,790	2,186	–	457,976
Disposals	–	(1,960)	–	(1,960)
Depreciation charge	(30,035)	(27,242)	(348)	(57,625)
Closing net book amount	1,166,798	27,251	281	1,194,330
At 31 December 2017				
Cost	1,321,219	124,717	5,618	1,451,554
Accumulated depreciation	(154,421)	(97,466)	(5,337)	(257,224)
Net book amount	1,166,798	27,251	281	1,194,330
At 1 January 2018				
Cost	**1,321,219**	**124,717**	**5,618**	**1,451,554**
Accumulated depreciation	**(154,421)**	**(97,466)**	**(5,337)**	**(257,224)**
Net book amount	**1,166,798**	**27,251**	**281**	**1,194,330**
Year ended 31 December 2018				
Opening net book amount	**1,166,798**	**27,251**	**281**	**1,194,330**
Additions	**298,332**	**6,158**	**2,387**	**306,877**
Disposals and obsolescence	**–**	**(1,660)**	**(17)**	**(1,677)**
Depreciation charge	**(80,150)**	**(14,487)**	**(453)**	**(95,090)**
Closing net book amount	**1,384,980**	**17,262**	**2,198**	**1,404,440**
At 31 December 2018				
Cost	**1,619,551**	**129,215**	**7,988**	**1,756,754**
Accumulated depreciation	**(234,571)**	**(111,953)**	**(5,790)**	**(352,314)**
Net book amount	**1,384,980**	**17,262**	**2,198**	**1,404,440**

15 Property and equipment (continued)

(a) Revaluation of office premises

The Group's office premises included in buildings and leased improvements amounting to RMB128,434,000 were revalued by the management on an open market value basis by making reference to comparable sales transaction as available in the relevant market. The carrying amount of the office premises of the Group as at 31 December 2018 did not materially differ from their fair value.

The carrying amount of the office premises of the Group as at 31 December 2018 would have been RMB95,893,000(2017: RMB98,976,000) had they been carried at cost less accumulated depreciation.

The fair value of office premises is revalued according to the sale price of the similar unit within the same properties and appropriate sales price discount on different floor and direction of the similar properties, and is within level 3 of the fair value hierarchy. There was no change to the valuation techniques during the year.

(b) As at 31 December 2018 and 2017, no property and equipment was pledged as collateral for the Group's borrowings.

16 Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of establishment/ incorporation and operation	Principal activities	Issued and paid-in capital	Attributable equity interest	
				Direct	Indirect
Beijing Redstone Newtown Real Estate Co., Ltd.*	Beijing, the PRC	Development of the Commune by the Great Wall and Operation of serviced apartment	USD 10,000,000	–	95%
Hainan Redstone Industry Co., Ltd.*	Hainan, the PRC	Development of Boao Canal Village	RMB 20,000,000	–	98.1%
Beijing SOHO Real Estate Co., Ltd.*	Beijing, the PRC	Development of Sanlitun SOHO	USD 99,000,000	–	95%

16 Subsidiaries (continued)

Name	Place of establishment/ incorporation and operation	Principal activities	Issued and paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect
Beijing Millennium Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Beijing Residency	RMB 96,000,000	–	100%
Beijing Yeli Real Properties Development Co., Ltd.***	Beijing, the PRC	Investment in Guanghualu SOHO II	RMB 1,100,000,000	–	100%
Beijing Kaiheng Real Estate Co., Ltd*	Beijing, the PRC	Investment in and development of Galaxy & Chaoyangmen SOHO	USD 12,000,000	–	100%
Beijing Suo Tu Shi Ji Investment Management Co., Ltd.***	Beijing, the PRC	Development of ZhongGuan Cun SOHO and Danling SOHO	RMB 10,000,000	–	100%
Beijing Zhanpeng Century Investment Management Co., Ltd.***	Beijing, the PRC	Investment in Qianmen Avenue project	RMB 50,000,000	–	100%
SOHO Exchange Limited	Cayman Islands	Investment in and development of Exchange-SOHO	USD1,000	–	100%
Beijing Wangjing SOHO Real Estate Co., Ltd*	Beijing, the PRC	Investment in and development of Wangjing SOHO	USD 99,000,000	–	100%
Beijing Bluewater Property Management Co., Ltd**	Beijing, the PRC	Development of SOHO Nexus Centre	USD 120,000,000	–	100%
Beijing Fengshi Real Estate Development Co., Ltd***	Beijing, the PRC	Investment in SOHO Leeza	RMB 1,750,000,000	–	100%

16 Subsidiaries (continued)

Name	Place of establishment/ incorporation and operation	Principal activities	Issued and paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect
Shanghai Ding Ding Real Development Co., Ltd.*	Shanghai, the PRC	Investment in Bund SOHO	USD 135,000,000	–	61.506%
Shanghai Hong Tu Investment Management Co.,Ltd***	Shanghai, the PRC	Investment in SOHO Zhongshan Plaza	RMB 5,000,000	–	100%
Shanghai Hong Suo Investment Management Co.,Ltd***	Shanghai, the PRC	Investment in SOHO Zhongshan Plaza	RMB 5,000,000	–	100%
Shanghai Changyin Investment Management Co.,Ltd***	Shanghai, the PRC	Investment in SOHO Zhongshan Plaza	RMB 100,000	–	100%
Shanghai Changmai Investment Management Co.,Ltd***	Shanghai, the PRC	Investment in SOHO Zhongshan Plaza	RMB 100,000	–	100%
Shanghai Hong Sheng Real Estate Development Co., Ltd.***	Shanghai, the PRC	Investment in SOHO Fuxing Plaza	RMB 955,000,000	–	100%
Shanghai Greentown Plaza Development Co., Ltd.***	Shanghai, the PRC	Investment in and development of SOHO Tianshan Plaza and operation of serviced department	RMB 1,550,000,000	–	100%
Shanghai Changkun Real Estate development Co., Ltd.*	Shanghai, the PRC	Investment in Gubei SOHO	RMB 3,190,000,000	–	100%

16 Subsidiaries (continued)

· *The company is registered as a sino-foreign equity joint venture enterprise in the PRC.*

** *The company is registered as a wholly owned foreign enterprise in the PRC.*

*** *The company is registered as a limited liability company in the PRC.*

The total amount of non-controlling interest is RMB1,046,627,000 (2017:RMB1,022,945,000) which is 2.9% to the total equity of the Group.

There are no difference between the voting rights and the proportionate interest.

17 Financial instruments by category

	2018 RMB'000	2017 RMB'000
Financial assets as per balance sheet		
At amortised cost		
Trade and other receivables excluding prepayments	**773,161**	760,358
Bank deposits	**2,473,793**	624,360
Cash and cash equivalents	**721,924**	3,701,791
Financial assets at fair value through profit or loss		
Structured bank deposits	**2,500,490**	–
Financial assets at fair value through other comprehensive income	**16,175**	–
	6,485,543	5,086,509

	2018 RMB'000	2017 RMB'000
Financial liabilities as per balance sheet		
At amortised cost		
Corporate bonds	**2,999,632**	2,994,283
Bank and other borrowings	**17,694,384**	18,039,553
Trade and other payables excluding tax payables	**2,906,834**	3,250,475
Contract retention payables	**518,644**	139,159
	24,119,494	24,423,470

18 Deferred income tax

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**596,631**	630,599
– to be recovered within 12 months	**7,320**	49,813
	603,951	680,412
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(8,062,255)**	(7,445,890)
– to be recovered within 12 months	**–**	–
	(8,062,255)	(7,445,890)
Deferred income tax liabilities, net	**(7,458,304)**	(6,765,478)

(b) The movement in deferred income tax assets and liabilities during the years ended 31 December 2018 and 31 December 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax arising from	*Notes*	Tax losses RMB'000	Unpaid accrued cost and expenses RMB'000	Investment properties RMB'000	Office Revaluation RMB'000	Total RMB'000
At 1 January 2017		226,841	1,346,066	(6,277,750)	(63,176)	(4,768,019)
Charged to income statement	*12(a)*	(35,140)	(808,171)	(2,020,514)	–	(2,863,825)
Transfer to disposal group classified as held for sale		–	(13,689)	580,702	–	567,013
Disposal of a subsidiaries		(35,495)	–	334,848	–	299,353
At 31 December 2017		156,206	524,206	(7,382,714)	(63,176)	(6,765,478)
At 1 January 2018		**156,206**	**524,206**	**(7,382,714)**	**(63,176)**	**(6,765,478)**
Charged to income statement	*12(a)*	**(67,319)**	**(9,142)**	**(616,365)**	**–**	**(692,826)**
At 31 December 2018		**88,887**	**515,064**	**(7,999,079)**	**(63,176)**	**(7,458,304)**

18 Deferred income tax (continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred income tax assets in certain subsidiaries of RMB301,120,000 (2017: RMB204,453,000) in respect of losses amounting to RMB1,204,480,000 (2017: RMB817,812,000) that can be carried forward against future taxable income. As at 31 December 2018, RMB80,974,000, RMB255,716,000, RMB97,011,000, RMB295,856,000 and RMB474,923,000 of these tax losses will expire in 2019, 2020, 2021, 2022, and 2023 respectively.

As at 31 December 2018, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB40,477,615,000 (2017: RMB40,806,244,000). Deferred tax liabilities of RMB4,047,762,000 (2017: RMB4,080,624,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

19 Completed properties held for sale

Completed properties held for sale mainly includes commercial properties and car parking area which are all located in the PRC. No impairment provision was recognised during the year of 2018 and 2017.

20 Deposits and prepayments

Deposits and prepayments mainly represented amounts prepaid for acquisition of properties, construction fees and taxation expenses.

21 Trade and other receivables

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

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

(a) Aging analysis

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

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

The Group's credit policy is set out in Note 4.1(b).

(b) Impairment of trade and other receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 4.1(b) for details about the Group's exposure to credit risk.

22 Bank deposits and structured bank deposits

(a) Bank deposits

	Notes	2018 RMB'000	2017 RMB'000
Restricted Bank deposits	*(i)*	**2,010,000**	–
Guarantees for bank and other borrowings	*25(b)(i)*	**322,608**	330,435
Guarantees for mortgage loans	*(ii)*	**141,185**	260,194
Guarantees for construction fee payment		**–**	33,731
		2,473,793	624,360
Less: non-current portion	*25(b)(i)*	**(130,051)**	(364,166)
Current portion		**2,343,742**	260,194

The above bank deposits are restricted as follows:

(i) The Group has entered into a series of agreements with respect to interest bearing loans. As at 31 December 2018, the Group had deposits of RMB2,010,000,000(2017: nil) as security, the pledge has been released in January 2019.

(ii) The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. As at 31 December 2018, the Group had deposits of RMB141,185,000(2017: RMB260,194,000) as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks or the related mortgage loans are repaid by buyers.

22 Bank deposits and structured bank deposits (continued)

(b) Structured bank deposits

	Note	**2018** **RMB'000**	2017 RMB'000
Structured bank deposits	*(i)*	**2,500,490**	–

(i) Structured bank deposits were measured at fair value and any changes were recognised in profit or loss. As at 31 December 2018, RMB1,970,490,000 included in the structured bank deposits held by the Group were readily convertible to cash and cash equivalents at every working day at the amount derived by the daily rates of return disclosed by the issuing bank. The fair value of structured bank deposits approximates their carrying amount as at 31 December 2018 and the fair value was based on cash flows discounted using a market return rate which is within level 1 and level 2 of the fair value hierarchy.

23 Cash and cash equivalents

	2018 **RMB'000**	2017 RMB'000
Cash on hand	**252**	40
Cash at bank	**515,776**	1,406,593
Term deposits with banks	**205,896**	2,295,158
Cash and cash equivalents in the balance sheet	**721,924**	3,701,791
Cash and cash equivalents in the consolidated cash flow statements	**721,924**	3,701,791

24 Disposal group classified as held for sale

As at 31 December 2017, the assets and liabilities related to Ever Prize, a company incorporated in Hong Kong with limited liability that held the shares of a project company which held the investment property of Sky SOHO, were presented as held for sale following the board of directors' approval of the decision on disposal. The transaction was completed in the first half of 2018 (see Note 31).

25 Bank and other borrowings

(a) The borrowings were as follows:

	2018 RMB'000	2017 RMB'000
Bank borrowings	**10,444,384**	14,249,553
Other borrowings	**7,250,000**	3,790,000
	17,694,384	18,039,553

(b) The borrowings were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**964,189**	3,140,391
After 1 year but within 2 years	**1,648,513**	942,971
After 2 years but within 5 years	**2,632,008**	2,931,077
After 5 years	**12,449,674**	11,025,114
	16,730,195	14,899,162
	17,694,384	18,039,553

The Group's borrowings denominated in RMB, HKD and USD respectively are set out as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Denominated in:		
– RMB	**16,971,673**	14,594,041
– HKD	**722,711**	1,935,202
– USD	**–**	1,510,310
	17,694,384	18,039,553

The borrowings were secured as follows:

	2018 RMB'000	2017 RMB'000
Secured	**17,694,384**	18,039,553

25 Bank and other borrowings (continued)

(c) The following items were pledged and certain entities or individuals provided guarantees to secure and guarantee certain bank and other borrowings granted to the Group as at 31 December 2018 and 2017.

(i) As at 31 December 2018, RMB17,694,384,000 (2017: RMB15,448,226,000) bank and other borrowings of the Group were secured by the following items:

	2018 **RMB'000**	2017 RMB'000
Investment properties	**53,535,000**	41,534,000
Bank deposits	**322,608**	330,435
	53,857,608	41,864,435

(ii) As at 31 December 2018, the Group's other borrowing were guaranteed by the Group and pledged by the shares of a certain subsidiary incorporated in the PRC.

(d) The effective interest rates per annum on bank and other borrowings at amortised cost are as follows:

	2018 **%**	2017 %
Bank and other borrowings included in current liabilities	**2.41-5.50**	2.03-5.15
Bank and other borrowings included in non-current liabilities	**2.41-5.50**	2.03-5.15

(e) The carrying amount of bank and other borrowings are not materially different from their fair value as at 31 December 2018 and 2017.

26 Contract liabilities and receipts in advance from customers and sale deposits

Contract liabilities and receipts in advance from customers and sale deposits represented proceeds received on property unit sales and rental that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

27 Trade and other payables

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

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

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

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

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

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

28 Corporate bonds

A wholly owned subsidiary of the Company, Beijing Wangjing SOHO Real Estate Co., Ltd., issued corporate bonds on 26 January 2016 in the aggregate amount of RMB3,000,000,000 at the coupon rate of 3.45% for a term of 3 years. The corporate bonds were listed on the Shanghai Stock Exchange and guaranteed by the Company. The amount of the corporate bonds has been fully repaid on 26 January 2019.

29 Capital, reserves and dividends

(a) Dividends

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

(b) Share capital and treasury shares

(i) Share capital

	2018 No. of shares Share'000	2018 Share capital RMB'000	2017 No. of shares Share'000	2017 Share capital 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 2018, no option was exercised to subscribe for ordinary shares of the Company (2017:nil).

(ii) Treasury shares

	Note	2018 No. of shares Share'000	2018 Share capital RMB'000	2017 No. of shares Share'000	2017 Share capital RMB'000
At 1 January		**8,005**	**34,583**	**6,893**	**30,726**
Shares purchased for employees' share award scheme		–	–	**2,338**	**8,598**
Vesting of shares under employees' share award scheme	*30(b)*	**(890)**	**(3,557)**	**(1,226)**	**(4,741)**
At 31 December		**7,115**	**31,026**	**8,005**	**34,583**

29 Capital, reserves and dividends (continued)

(c) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and the Awarded Shares (see Note 30).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(u).

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for office premises in Note 2(g).

(v) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

30 Equity settled share-based transactions

(a) Employees' share option schemes

The Company has adopted a Pre-IPO share option scheme and an IPO share option scheme on 14 September 2007, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any Company in the Group, to take up options at HKD1 consideration to subscribe for shares of the Company. The options vest in a period of three to seven years from the date of grant and are exercisable within a period of six to ten years. Each option gives the holder the right to subscribe for one ordinary share of the Company.

(i) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting condition	Contractual life of options
Options granted to directors:			
– on 8 October 2007	1,573,750	Three years from the date of grant	6 years
– on 30 January 2008	1,124,000	Three years from the date of grant	6 years
– on 30 June 2008	500,000	Three years from the date of grant	6 years
– on 6 November 2012	8,184,000	Portion vesting with seven years from the date of grant	10 years
Options granted to employees:			
– on 8 October 2007	10,484,250	Three years from the date of grant	6 years
– on 30 January 2008	6,135,000	Three years from the date of grant	6 years
– on 30 June 2008	580,000	Three years from the date of grant	6 years
Total share options	28,581,000		

30 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

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

Exercise period	Exercise price	2018 Number	2017 Number
6 November 2013 to 5 November 2022	HKD5.53	–	8,184,000
		–	8,184,000

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

(iii) The number and weighted average exercise prices of share options are as follows:

	2018		2017	
	Weighted average exercise price HKD	Number of options '000	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the year	5.53	8,184	5.53	8,184
Forfeited during of the year	(5.53)	(8,184)	–	–
Outstanding at the end of the year	–	–	5.53	8,184
Exercisable at the end of the year	–	–	5.53	4,092

The share option has been forfeited as the resignation of a director during the year of 2018.

30 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

(iv) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Model or Binomial Tree Pricing Method. The contractual life of the share option is used as an input into these models. Expectations of early exercise are incorporated into the Black-Scholes Model or Binomial Tree Pricing Method.

	Granted on 6 November 2012	Granted on 30 June 2008	Granted on 30 January 2008	Granted on 8 October 2007
Fair value at measurement date	HKD1.79	HKD1.51	HKD2.24	HKD3.25
Share price	HKD5.53	HKD4.25	HKD6.10	HKD8.30
Exercise price	HKD5.53	HKD4.25	HKD6.10	HKD8.30
Expected volatility (expressed as weighted average volatility used in the modelling under Black- Scholes Model or Binomial Tree Pricing Method)	48.37%	49.36%	46.35%	45.91%
Expected dividends	5.56%	2.28%	0.52%	0.48%
Risk-free interest rate (based on Exchange Fund Notes)	0.65%	3.11%	1.98%	3.93%

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

30 Equity settled share-based transactions (continued)

(b) Employees' share award scheme

Employees' share award scheme in which all employees (including without limitation any executive directors) of the Group would be entitled to participate was launched by the Group on 23 December 2010. The purpose of the employees' share award scheme is to give incentive to participants in order to retain them for the continued operation and development of the Group. Vested shares will be transferred at no cost to the selected employees. For employees who are granted the shares but cease employment with the Group before vesting, the unvested shares are forfeited.

The fair value of each share granted is based on the share price at grant date which could be obtained from the stock market directly. Shares are granted under a service condition. There is no market conditions associated with the shares awards.

Details of the shares vested during 2018 and 2017 are set out below:

Month of shares purchased	Number of shares purchased	Consideration of shares purchased HKD'000	Month of award	Number of shares awarded	Number of awarded shares vested	Average fair value vested per share HKD	Vesting period	Remaining vesting period
September 2009	735,000	3,313	March 2011	735,000	–	5.97	9 March 2012 – 9 March2014	–
September 2009	1,299,500	5,857	January 2012	1,299,500	–	5.24	13 January 2013 – 13 January 2015	–
September 2009	175,500	791	November 2012	175,500	–	5.61	7 November 2013 – 7 November 2019	–
September 2011	232,000	1,157	November 2012	232,000	–	5.61	7 November 2013 – 7 November 2019	–
October 2011	3,113,000	15,194	November 2012	3,113,000	(1,705,114)	5.61	7 November 2013 – 7 November 2019	0.85 year
November 2011	1,038,000	5,188	November 2012	1,038,000	–	5.61	7 November 2013 – 7 November 2019	0.85 year
June 2012	155,500	838	November 2012	155,500	–	5.61	7 November 2013 – 7 November 2019	0.85 year
October 2012	188,000	945	November 2012	188,000	–	5.61	7 November 2013 – 7 November 2019	0.85 year
November 2012	264,700	1,498	November 2012	264,700	–	5.61	7 November 2013 – 7 November 2019	0.85 year
November 2012	3,270,300	18,503	March 2013	1,428,500	–	6.08	6 March 2013 – 6 March 2016	–
June 2013	230,500	1,536	April 2014	1,281,500	(410,683)	6.55	4 April 2014 – 4 April 2017	–
June 2014	222,000	1,359						
October 2014	216,500	1,284						
June 2015	211,500	1,115						
December 2015	855,000	2,977						
June 2016	752,500	2,670						
October 2016	378,500	1,582						
June 2017	656,000	2,524						
October 2017	638,000	2,902						
December 2017	1,045,500	4,671						
Total	15,677,500	75,904		9,911,200	(2,115,797)			

30 Equity settled share-based transactions (continued)

(b) Employees' share award scheme (continued)

Movements in the number of shares awarded and dividend shares,but not yet vested were as follows:

	2018 Number of awarded shares and dividend shares	2017 Number of awarded shares and dividend shares
Outstanding at 1 January	**4,930,306**	5,198,970
Vested	**(516,670)**	(804,080)
Dividend shares		
– allocated to awardees	**743,562**	957,398
– vested	**(373,065)**	(421,982)
Outstanding at 31 December	**4,784,133**	4,930,306

31 Disposal of subsidiaries

For the year ended 31 December 2018, the Group disposed of its equity interests in the following company:

		Percentage of equity interests disposed		Proceeds
Company name	Disposal date	Directly held	Indirectly held	RMB'000
Ever Prize	16/04/2018	–	100%	3,001,965

Details of sales proceeds and gains on disposal are as follows:

	As at disposal date RMB'000
Proceeds on disposal of the subsidiaries	3,001,965
Carrying value of the subsidiaries disposed – shown as below	(2,014,359)
Gains on disposal of the subsidiaries	987,606

Proceeds on disposal of the subsidiaries are as follows:

	Carrying value RMB'000
Proceeds received in cash in 2017	246,760
Proceeds received in cash in 2018	2,755,205
Total	3,001,965

31 Disposal of subsidiaries (continued)

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Cash and cash equivalents	175,262
Trade and other receivables	1,531,128
Investment property	4,641,000
Deferred income tax assets	13,689
Trade and other payables	(1,708,654)
Receipts in advance from customers and sale deposits	(5,925)
Current income tax liabilities	(61,454)
Bank and other borrowings	(1,980,000)
Deferred income tax liabilities	(590,687)
Net assets of the subsidiaries	2,014,359
Inflow of cash related to the disposal of the subsidiaries, net of cash disposed	
Proceeds received in cash during the year ended 31 December 2018	2,755,205
Cash and cash equivalents in the subsidiaries disposed of	(175,262)
Cash inflow on disposal during the year ended 31 December 2018	2,579,943

32 Balance sheet and equity movement of the Company

(a) Balance sheet of the Company

		As at 31 December	
	Notes	**2018 RMB'000**	2017 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**330,787**	327,213
		330,787	327,213
Current assets			
Amounts due from subsidiaries		**20,306,070**	19,404,713
Trade and other receivables		**3,868**	2,793
Cash and cash equivalents		**250,756**	434,768
		20,560,694	19,842,274
Total assets		**20,891,481**	20,169,487
Equity and liabilities			
Equity			
Share capital	*32 (b)*	**106,112**	106,112
Reserves	*32 (b)*	**(1,642,875)**	(1,401,480)
Total equity		**(1,536,763)**	(1,295,368)

32 Balance sheet and equity movement of the Company (continued)

(a) Balance sheet of the Company (continued)

	Notes	As at 31 December	
		2018	2017
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings		**310,084**	709,452
		310,084	709,452
Current liabilities			
Bank and other borrowings		**412,627**	2,736,060
Other payables		**61,119**	59,779
Amounts due to subsidiaries		**21,644,414**	17,959,564
		22,118,160	20,755,403
Total liabilities		**22,428,244**	21,464,855
Total equity and liabilities		**20,891,481**	20,169,487

The balance sheet of the Company was approved by the Board of Directors on 29 March 2019 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

32 Balance sheet and equity movement of the Company (continued)

(b) Share capital and reserve movement of the Company

	Notes	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated loss) RMB'000	Total RMB'000
At 1 January 2017		106,112	2,399,162	9,661	48,123	(2,243,504)	(2,547,843)	(2,228,289)
Profits for the year		–	–	–	–	–	7,463,837	7,463,837
Other comprehensive income		–	–	–	–	62,820	–	62,820
Total comprehensive income		–	–	–	–	62,820	7,463,837	7,526,657
Dividends approved in respect of the previous year		–	(1,799,035)	–	–	–	–	(1,799,035)
Dividends declared in respect of the current year		–	(600,127)	–	–	–	(4,193,834)	(4,793,961)
Employees' share award scheme	*30(b)*	–	–	–	2,729	–	–	2,729
Employees' share option schemes	*30(a)*	–	–	–	1,273	–	–	1,273
Vesting of shares under employees' share award scheme	*30(b)*	–	1,234	–	(5,976)	–	–	(4,742)
At 31 December 2017		106,112	1,234	9,661	46,149	(2,180,684)	722,160	(1,295,368)

	Notes	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated loss) RMB'000	Total RMB'000
At 1 January 2018		*106,112*	1,234	9,661	46,149	(2,180,684)	722,160	(1,295,368)
Loss for the year		-	-	-	-	-	(164,423)	(164,423)
Other comprehensive income		-	-	-	(208)	(76,822)	-	(77,030)
Total comprehensive income		-	-	-	(208)	(76,822)	(164,423)	(241,453)
Employees' share award scheme	*30(b)*	-	-	-	3,615	-	-	3,615
Vesting of shares under employees' share award scheme	*30(b)*	-	116	-	(3,673)	-	-	(3,557)
At 31 December 2018		*106,112*	1,350	9,661	45,883	(2,257,506)	557,737	(1,536,763)

33 Commitments and contingent liabilities

(a) Commitments

(i) Commitments in respect of properties under development and investment properties outstanding at 31 December 2018 and 2017 not provided for in the financial statements were as follows:

	2018 **RMB'000**	2017 RMB'000
Contracted for	**699,472**	1,180,391
Authorized but not contracted for	**672,005**	804,138
	1,371,477	1,984,529

(b) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was RMB251,578,000 as at 31 December 2018 (2017: RMB1,426,885,000).

(c) Investment properties and properties held for sale

(i) Operating leases – lessor

The Group leases out investment properties and certain completed properties held for sale under operating leases. The leases typically run for an initial period of 1 to 8 years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease revenue under non-cancellable operating leases are receivable as follows:

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**1,486,606**	1,359,860
After 1 year but within 5 years	**1,638,650**	2,051,891
After 5 years	**141,649**	201,001
	3,266,905	3,612,752

33 Commitments and contingent liabilities (continued)

(c) Investment properties and properties held for sale (continued)

(ii) Operating leases – lessee

The total future minimum lease payments are due as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**144,393**	56,673
After 1 year but within 5 years	**626,564**	357,793
After 5 years	**676,814**	262,212
	1,447,771	676,678

Operating lease payments in respect of rented premises payable by the Group relate to certain commercial properties for sub-letting and certain of its office premises. Leases are usually negotiated for an average term of five to ten years.

34 Material related party transactions

(a) Amounts due to related parties and corresponding transactions

Amounts due to related parties, included in current liabilities, comprise:

	Notes	2018 RMB'000	2017 RMB'000
China Fortune Properties (Group) Co., Ltd. ("China Fortune Properties")	*(i)*	**406,366**	355,622
Shanghai Rural Commercial Bank	*(i)*	**406,366**	355,622
Wang Rensheng	*(i)*	**123,820**	123,820
		936,552	835,064

(i) The balances as at 31 December 2018 mainly represented the advances of RMB936,552,000 (2017: RMB835,064,000) from China Fortune Properties, Shanghai Rural Commercial Bank and Wang Rensheng, the non-controlling equity holders of a subsidiary, Shanghai Ding Ding Real Estate Development Co., Ltd., which were interest-free, unsecured and had no fixed term of repayment.

34 Material related party transactions (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 35 and certain of the highest paid employees as disclosed in Note 8(a) is as follows:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**17,978**	16,084
Post-employment benefits	**230**	153
Share-based payments	**3,615**	4,002
	21,823	20,239

35 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2018:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing Allowance RMB'000	Estimated money value of benefit RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Executive directors							
Pan Shiyi (Chairman)	240	2,160	883	35	124	55	3,497
Pan Zhang Xin Marita	240	1,920	301	–	186	–	2,647
Yan Yan*	45	462	308	6	106	9	936
Tong Ching Mau*	151	1,093	730	–	71	–	2,045
Independent non-executive directors							
Huang Jing Sheng**	118	–	–	–	–	–	118
Cha Mou Zing, Victor***	179	–	–	–	–	–	179
Xiong Ming Hua	283	–	–	–	–	–	283
Sun Qiang Chang	283	–	–	–	–	–	283
Total	1,539	5,635	2,222	41	487	64	9,988

Notes:

* *Yan Yan and Tong Ching Mau resigned in March and August 2018 respectively.*

** *Huang Jing Sheng was appointed in August 2018*

*** *Cha Mou Zing, Victor resigned in August 2018*

35 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2017:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing Allowance RMB'000	Estimated money value of benefit RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Executive directors							
Pan Shiyi (Chairman)	240	1,350	750	32	107	51	2,530
Pan Zhang Xin Marita	240	1,200	600	–	169	–	2,209
Yan Yan	240	2,772	1,376	32	138	51	4,609
Tong Ching Mau	240	2,262	1,157	–	71	–	3,730
Independent non-executive directors							
Cha Mou Zing, Victor	291	–	–	–	–	–	291
Xiong Ming Hua	291	–	–	–	–	–	291
Sun Qiang Chang	291	–	–	–	–	–	291
Total	1,833	7,584	3,883	64	485	102	13,951

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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