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SOHO CHINA LIMITED

SOHO 中國有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 410)

**DISCLOSEABLE TRANSACTION
FRAMEWORK AGREEMENT IN RELATION TO THE
PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY**

THE PROPOSED DISPOSAL

The Board announces that on 17 October 2017, SOHO China (Hong Kong) (a wholly-owned subsidiary of the Company) (as the Seller), the Company (as the guarantor) and the Purchaser entered into the Framework Agreement in relation to the Proposed Disposal of the entire issued share capital of the Target Company, which indirectly holds the Sky SOHO Project. The Framework Agreement becomes effective on 23 October 2017 upon receipt of the Earnest Money by the Seller.

The initial Consideration was determined after arm's length negotiations between the parties to the Framework Agreement based on the assets value of Sky SOHO Project of RMB5,008 million as agreed between the parties, mainly adjusted by the net working capital of the Target Company and its subsidiaries and the outstanding principal of the onshore bank loan of the company holding Sky SOHO Project as at 31 August 2017. The initial Consideration for the Proposed Disposal is RMB2,953,942,221.43.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Framework Agreement and the transactions contemplated thereunder are more than 5% but less than 25%, the Framework Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE PROPOSED DISPOSAL

The Board announces that on 17 October 2017, SOHO China (Hong Kong) (a wholly-owned subsidiary of the Company) (as the Seller), the Company (as the guarantor) and the Purchaser entered into the Framework Agreement, in relation to the Proposed Disposal of the entire issued share capital of the Target Company, which indirectly holds the Sky SOHO Project, at the initial Consideration of RMB2,953,942,221.43. The Framework Agreement becomes effective on 23 October 2017 upon receipt of the Earnest Money by the Seller.

The principal terms of the Framework Agreement are set out below.

THE FRAMEWORK AGREEMENT

Date

17 October 2017

Parties

- (1) SOHO China (Hong Kong), a wholly-owned subsidiary of the Company (as the Seller);
- (2) the Company (as the guarantor); and
- (3) the Purchaser.

Assets to be disposed of

Pursuant to the Framework Agreement, subject to the entering of the Definitive Agreements, SOHO China (Hong Kong) has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company.

Consideration and payment terms

The initial Consideration for the Proposed Disposal is RMB2,953,942,221.43, which shall be payable by the Purchaser to the Seller in the following manners:

- (a) the Earnest Money of US\$5 million shall be paid within 5 Business Days of the date of signing of the Framework Agreement. The Earnest Money was received by the Seller on 23 October 2017;
- (b) a Deposit of RMB250,400,000 (including the Earnest Money) shall be paid within 10 Business Days of the date of signing of the Definitive Agreements; and
- (c) the balance of the Consideration shall be paid upon Completion.

If the Seller does not receive the Earnest Money within 5 Business Days from the signing date of the Framework Agreement, the Framework Agreement shall cease to have effect and each party thereto shall not be liable for any obligations thereunder.

If the Purchaser fails to pay the Deposit within the above prescribed time limit, the Seller may by written notice to the Purchaser terminate the Definitive Agreements and retain the Earnest Money as compensation.

The initial Consideration was determined after arm's length negotiations between the Seller and the Purchaser based on the assets value of Sky SOHO Project of RMB5,008 million as agreed between the parties, with reference to the appraised book value of Sky SOHO Project of RMB4,641 million as at 30 June 2017, mainly adjusted by the net working capital of the Target Company and its subsidiaries and the outstanding principal of the onshore bank loan of the company holding Sky SOHO Project as at 31 August 2017. As at the date hereof, the outstanding principal of the onshore bank loan amounts to RMB1,990 million.

Adjustment to the initial Consideration

Within 10 days after the Completion, the Purchaser and the Seller shall jointly appoint one of the independent big four accounting firms (being PricewaterhouseCoopers, Deloitte Touche Tohmatsu, KPMG and Ernst & Young) to prepare the audited consolidated balance sheet of the Target Company for the period from 1 September 2017 to the date immediately prior to the Completion (the “**Completion Audit Report**”).

If there is any difference in the amount of Consideration calculated as at 31 August 2017 and as at the date immediately prior to the date of Completion based on the Completion Audit Report, the Consideration shall be adjusted upward or downward accordingly, in which case the Purchaser or the Seller (as the case may be) shall pay a sum equivalent to the difference of the Consideration to the Seller or the Purchaser (as the case may be).

Effective date of the Framework Agreement

The Framework Agreement shall become effective upon signing by the parties thereto and receipt of the Earnest Money by the Seller from the Purchaser within 5 Business Days of the date of signing of the Framework Agreement. The Framework Agreement becomes effective on 23 October 2017 upon receipt of the Earnest Money by the Seller.

Entering into of the Definitive Agreements

Pursuant to the Framework Agreement, the Seller and the Purchaser shall use their best endeavours to, based on the terms in the Framework Agreement, agree upon and enter into the Definitive Agreements within 15 Business Days after the Framework Agreement becoming effective, subject to an extension period of 10 days if the Seller and the Purchaser need more time for negotiation on the terms of the Definitive Agreements.

In the event that the Definitive Agreements cannot be entered into within the above prescribed time limit, and if it is not due to the Seller’s default, or any material adverse event on the Target Company and its subsidiaries, or the transactions contemplated under the Framework Agreement being restricted or prohibited by governmental authorities or under applicable laws, or occurrence of force majeure events (collectively, the “**Factors**”), the Seller may by written notice to the Purchaser terminate the Framework Agreement and retain the Earnest Money as compensation.

On the other hand, if the Definitive Agreements cannot be entered into within the above prescribed time limit due to the Factors, the Seller shall immediately and within 5 Business Days after termination of the Framework Agreement return the Earnest Money to the Purchaser. In addition, if the Definitive Agreements cannot be entered into within the above prescribed time limit due to the Seller’s default, the Seller shall also pay an amount equivalent to the amount of the Earnest Money to the Purchaser as compensation.

Conditions precedents

Subject to the entering into of the Definitive Agreements, the Proposed Disposal shall be conditional upon customary conditions precedent for this type of transaction (including but not limited to those relating to accuracy of warranties, performance of pre-completion undertakings and obligations, necessary approvals having been obtained, and no material adverse event).

Completion

Completion shall take place after all the conditions precedent have been fulfilled or waived and within 4 months after the signing of the Definitive Agreements. The Purchaser may by written notice to the Seller to defer Completion for 30 days in which case the Purchaser shall pay an interest in respect of the unpaid portion of the Consideration at a rate of 5% per annum to the Seller.

Upon Completion, the Group will cease to hold any equity interest in the Target Company and its subsidiaries and each of the Target Company and its subsidiaries will cease to be a subsidiary of the Company. Accordingly, the accounts of the Target Company and its subsidiaries will not be consolidated into the accounts of the Group after Completion.

Guarantee provided by the Company

The Company has guaranteed to the Purchaser in respect of the warranties and undertakings given by the Seller and the Seller's due performance of its obligations under the Framework Agreement and the Definitive Agreements. In this connection, the Company will execute a deed of guarantee in favour of the Purchaser on the signing date of the Framework Agreement.

FINANCIAL EFFECT OF THE PROPOSED DISPOSAL

For the years ended 31 December 2015 and 2016, the Sky SOHO Project recorded audited revenue (i.e. rental income) of approximately RMB70 million and RMB143 million respectively. For the six months ended 30 June 2017, the unaudited rental income of Sky SOHO Project amounted to approximately RMB90 million.

According to the unaudited accounts of the Group, the total cost of Sky SOHO Project as at 30 June 2017 was approximately RMB2,701 million, and the book value of Sky SOHO Project as at 30 June 2017, being the appraised value, was approximately RMB4,641 million.

The agreed value of Sky SOHO Project under the Framework Agreement of RMB5,008 million is approximately 85% higher than its total cost as at 30 June 2017. As Sky SOHO Project was revalued, based on the book value of Sky SOHO Project as at 30 June 2017 and the assets price of Sky SOHO Project as agreed under the Framework Agreement, it is expected that the Group will record a gross profit of approximately RMB367 million from the Proposed Disposal.

It is intended that the net proceeds from the Proposed Disposal will be used by the Group as its general working capital.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

In view of the recent conditions of the property market in the PRC, the Directors consider that the Proposed Disposal represents a good opportunity for the Group to realize the gain from its investment in the Sky SOHO Project at a fair value with reference to the expected cash flow and profit to be generated therefrom.

The terms of the Framework Agreement have been determined after arm's length negotiations between the parties thereto. In view of the above, the Directors are of the view that the Framework Agreement was entered into on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION RELATING TO THE TARGET COMPANY

The Target Company was incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of this announcement, the Target Company indirectly holds the Sky SOHO Project.

The Sky SOHO Project is a commercial building situated at Hongqiao Linkong Economic Zone in Shanghai, with a total gross floor area of approximately 128,175 sq.m., including office and commercial spaces of approximately 103,014 sq.m. and 25,161 sq.m. respectively.

INFORMATION RELATING TO THE GROUP, THE SELLER AND THE PURCHASER

The Group is principally engaged in investment in real estate development, property leasing and property management in the PRC.

The Seller is a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of this announcement and immediately before Completion, the Seller holds the entire issued capital of the Target Company, which in turn holds the Sky SOHO Project.

The Purchaser is a real estate investment and management company incorporated in Hong Kong with limited liability and associated with Gaw Capital Partners. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

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GENERAL

Shareholders and potential investors of the Company should be aware that the Proposed Disposal is subject to the entering into of the Definitive Agreements by the parties. Accordingly, the Proposed Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“Board”	the board of the Directors
“Business Day(s)”	any day (other than a Saturday, Sunday, bank holiday or public holiday in Hong Kong and the PRC) on which the banks in Hong Kong and the PRC are open for business

“Company”	SOHO China Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 410)
“Completion”	completion of the sale and purchase of the entire issued share capital of the Target Company under the Framework Agreement
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Proposed Disposal payable by the Purchaser to the Seller pursuant to the Framework Agreement
“Definitive Agreements”	the definitive sale and purchase agreement and ancillary documents to be executed in connection with the Proposed Disposal
“Deposit”	the deposit of RMB250,400,000 (including the Earnest Money) payable by the Purchaser to the Seller under the Framework Agreement
“Director(s)”	the director(s) of the Company
“Earnest Money”	the earnest money of US\$5 million payable by the Purchaser to the Seller under the Framework Agreement
“Framework Agreement”	the framework agreement dated 17 October 2017 entered into among SOHO China (Hong Kong), the Company and the Purchaser in respect of the Proposed Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Disposal”	the proposed disposal of the entire issued share capital of the Target Company by SOHO China (Hong Kong) to the Purchaser pursuant to the Framework Agreement

“Purchaser”	Brave Point Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party as at the date hereof
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of nominal value of HK\$0.02 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Sky SOHO Project”	the Sky SOHO project of the Company situated at Hongqiao Linkong Economic Zone in Shanghai, the PRC
“SOHO China (Hong Kong)” or “Seller”	SOHO China (Hong Kong) Limited (搜候(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Ever Prize Limited (永卓越有限公司), a company incorporated in Hong Kong with limited liability, indirectly holding the Sky SOHO Project
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
SOHO China Limited
Pan Shiyi
Chairman

Hong Kong, 23 October 2017

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