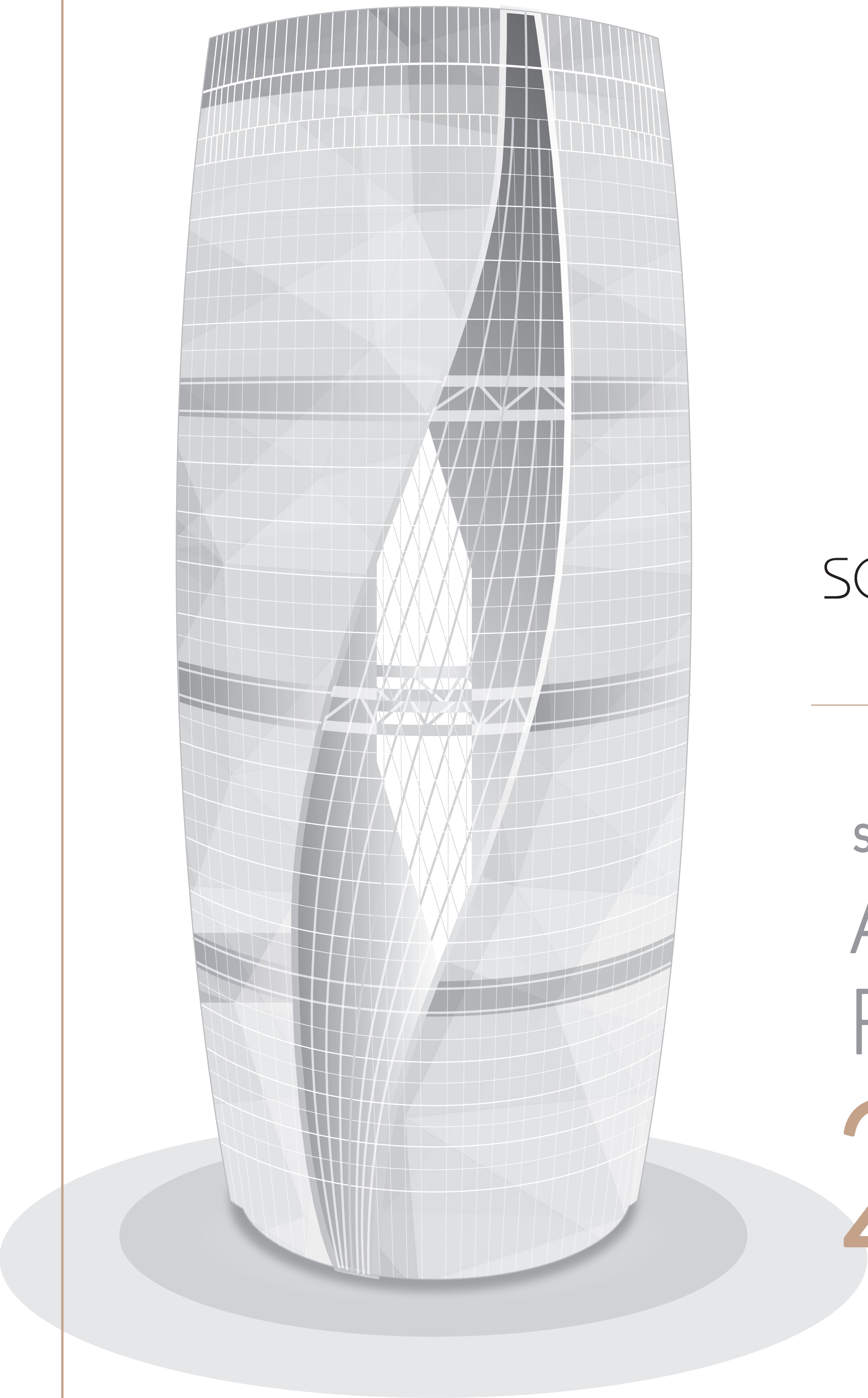
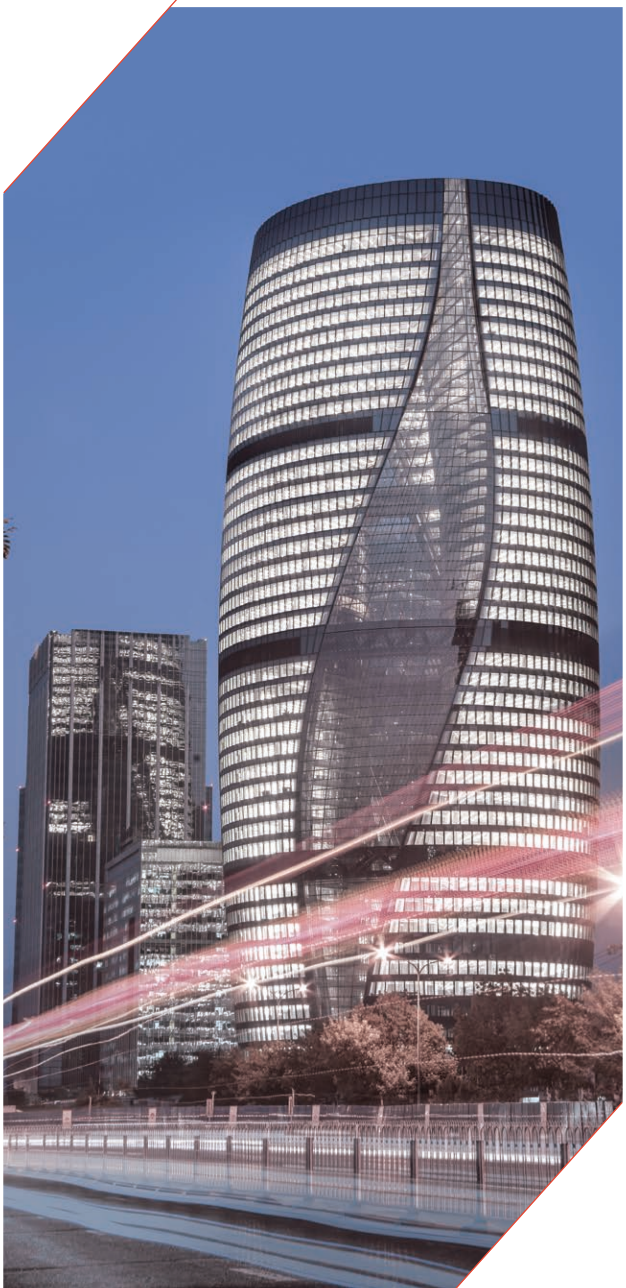


SOHO CHINA
Stock Code: 410

SOHO CHINA LIMITED

ANNUAL REPORT 2019

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 2019 (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 Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2019 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 25 March 2020.

The Group achieved revenue of approximately RMB1,847 million during the Year, representing an increase of approximately 11% compared with the revenue of approximately RMB1,668 million in 2018 (excluding rental income from the disposed Sky SOHO (the "Disposed Project")).

During the Year, net profit attributable to equity shareholders of the Company was approximately RMB1,331 million, representing an increase of approximately 8% compared with the net profit attributable to equity shareholders of the Company of approximately RMB1,233 million in 2018 (excluding non-recurring profit from the disposal of Sky SOHO (the "Project Disposal")).

The Board resolved not to declare a final dividend for the Year (2018: RMB0.03 per share).

Contents

Chairman's Statement

2019 was a year full of challenges for China's economic development. Under a generally stable environment where some progress was made, we were glad to see some changes in China's economic operation. Firstly, it has become more open in many important areas such as economy and finance; secondly, more emphasis has been placed on the quality rather than speed of development; and thirdly, the scientific and technological innovation has become more important than ever before. China's economic structure is slowly transforming. In the process of such changes and with the pressure of external trade disputes, economic growth of the Year has slowed down in comparison with previous years, and the office leasing market has felt the impact.

According to Cushman & Wakefield's market reports, average office rent and office occupancy rates in Beijing and Shanghai decreased throughout 2019 at varying degrees while the mature properties of SOHO China in Beijing and Shanghai saw rental rates go up. In the fourth quarter of 2019, our occupancy rates declined with the market, dropping to approximately 90% at the end of 2019. During the Year, the Group achieved revenue of approximately RMB1,847 million, representing an increase of approximately 11% compared with approximately RMB1,668 million in 2018 (excluding rental income from the Disposed Project), of which rental income from mature projects increased by approximately 5% over 2018.

In 2019, we completed and delivered one new project in Shanghai and one in Beijing. Gubei SOHO in Shanghai was completed in the first quarter of 2019, with a leasable GFA of approximately 112,000 square meters ("sq.m."). By the end of the Year, the project was about 67% leased. Gubei SOHO is located in the heart of Changning District in Shanghai, and only about 100 meters from the nearest metro station. We expect this project to contribute more rental income in 2020. In Beijing, Leeza SOHO was completed in the fourth quarter of 2019, and is one of our Company's projects with the most potential. Leeza SOHO is a landmark building within Lize Business District in Beijing, the area slotted for further government development and attention. In the future, the project's underground will be the site of convergence for and transfer of five subway lines, including Line 11, Line 14, Line 16, New Airport Line and the Lize Business District Financial Street connection line. With the continuous improvements in infrastructure, Leeza SOHO will gradually come to reflect its value. Both Gubei SOHO and Leeza SOHO have obtained LEED Gold certification, and are examples of the Company's commitment to environmentally friendly building standards and green office.

Against the backdrop of China's national strategy for science, technology and innovation in 2019, we also promoted two practices:

Firstly, further strengthening our platform management to improve efficiency and services. In the beginning of 2019, we launched an online public rental platform, integrating all SOHO China's listings into an online platform that is open to all customers, agents and third parties, providing customers with one-stop, online rental services. This open and transparent approach converts the entire leasing process to online while making leasing service more efficient and convenient. Additionally, SOHO China's energy management platform achieved outstanding results during the Year, with a total of 277,000 tasks on equipment and facilities completed, with completion rate of 99.8%. Cumulative energy saving reached 82 million degrees, achieving an energy saving rate of 22.3%.

Secondly, the deployment of 5G was our strategic priority of the Year. In 2019, we signed contracts with the three major operators, China Mobile, China Unicom, and China Telecom, and completed the laying out of 5G networks in all of SOHO China's projects in Beijing, making us the first domestic property developer to introduce 5G networks into the commercial office sector. As at the date hereof, SOHO China's property management has already started to apply 5G sensors that enable office workers to experience value-added network services. We have also built a brand new SOHO China 5G lab at Leeza SOHO where over 20 5G applications are demonstrated including application scenarios for smart buildings, smart perception, smart medical treatment, and remote interaction. We hope to build the lab into an open platform, inviting more products and services to our 5G environment to test and demonstrate applications as a way to promote industry progress.

Looking forward to 2020, despite many uncertain factors affecting the economy at home and abroad, we believe China will continue to promote structural economic transformation and maintain stable growth. With such a huge market and huge potential, China's development speed will still be a leading one among large economies of the world, and the commercial office markets in Beijing and Shanghai will continue to develop steadily. As a modern office service provider with a large number of high-quality properties in the prime areas of Beijing and Shanghai, we will continue our efforts to improve the level of asset operation and property management, and realize the value of the Company.

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 2019 *(RMB'000)*	Occupancy Rate[2] as at 31 December 2019	Occupancy Rate[2] as at 31 December 2018
Beijing				
Qianmen Avenue project	34,907	111,310	95%	100%
Wangjing SOHO	149,172	382,125	86%	98%
Guanghualu SOHO II	94,279	265,035	87%	95%
Galaxy & Chaoyangmen SOHO	45,375	100,769	94%	97%
Leeza SOHO[3]	137,470	N/A	9%[3]	N/A
Shanghai				
SOHO Fuxing Plaza	88,234	233,053	95%	96%
Bund SOHO	72,826	176,111	78%	87%
SOHO Tianshan Plaza	97,751	207,998	97%	95%
Gubei SOHO[4]	112,176	92,297	67%	N/A

Notes: 1. *The leasable GFA (gross floor area) attributable to the Group as at 31 December 2019.*

2. *Occupancy rate for office and retail areas.*

3. *Leeza SOHO was completed in December 2019; and the occupancy rate was based on pre-leased areas.*

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.. With a height of nearly 200 meters, Wangjing SOHO is now a landmark in central Beijing. 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, with a total GFA of approximately 157,318 sq.m.. The Group is entitled to a leasable GFA of approximately 133,766 sq.m., including approximately 123,568 sq.m. of office area and approximately 10,198 sq.m. of retail area.

Wangjing area has become the emerging hub for internet companies in the northeast of Beijing. Wangjing area is also home to the headquarters of many prestigious multinational companies in the People's Republic of China ("PRC").

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 GFA 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 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

Leeza SOHO

Leeza SOHO is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is adjacent to the planned subway lines 11, 14 and 16 as well as the New Airport line, and the Lize Business District Financial Street 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.

Leeza SOHO has a total GFA of approximately 150,324 sq.m., and a total leasable GFA of approximately 137,470 sq.m.. The project was completed in December 2019. The Group holds Leeza SOHO as investment property.

SOHO Leeza

MAJOR PROJECTS IN SHANGHAI

SOHO Fuxing Plaza

SOHO Fuxing Plaza is located 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 124,068 sq.m. and a leasable GFA 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

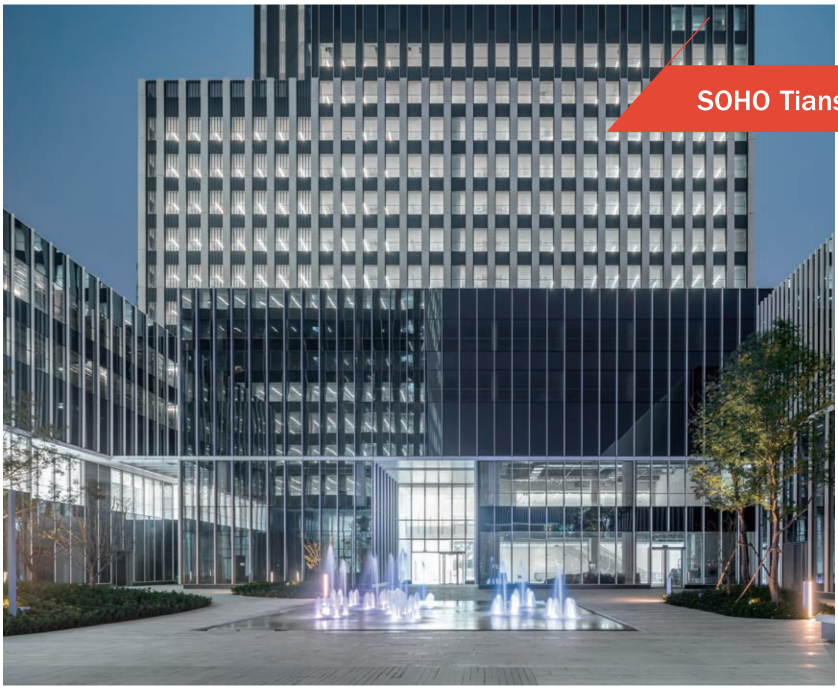
Bund SOHO is located on the Bund in Shanghai. Bund SOHO is very close to Shanghai's famous City God Temple and next to the Bund's multi-dimensional transportation hub and yacht wharf.

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.

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 buildings, 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 SOHO Tianshan Plaza 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 located at SOHO Tianshan Plaza, was completed in November 2017 and has started operation since the end of February 2018.



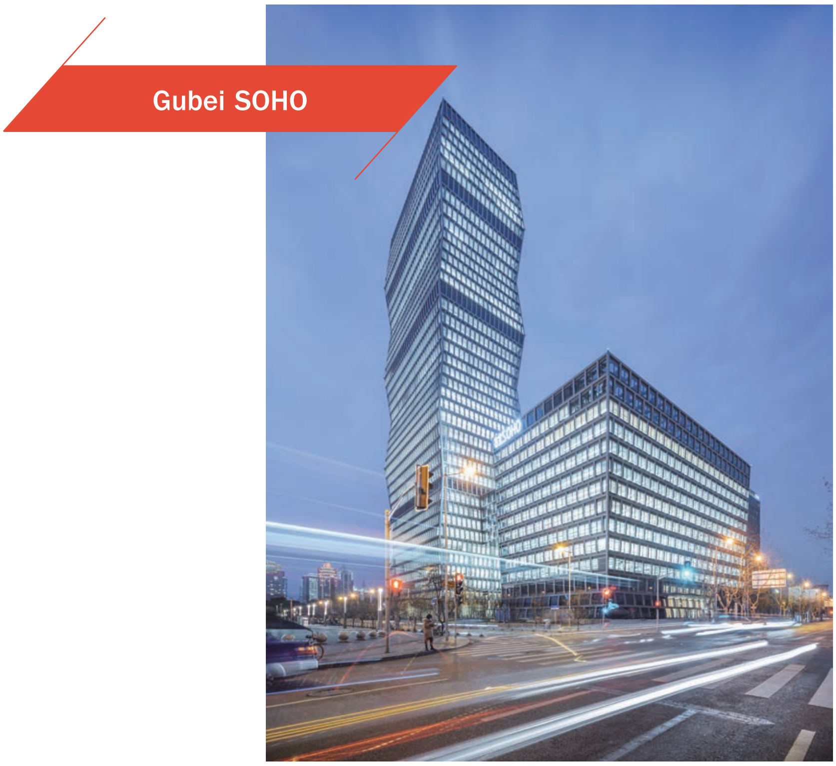
SOHO Tianshan Plaza

Gubei SOHO

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

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

The project has a total GFA of approximately 146,692 sq.m. and a total leasable GFA of approximately 112,176 sq.m.. The project was completed in January 2019. The Group holds Gubei SOHO as investment property.



Environmental, Social and Governance Report

This is the fourth Environmental, Social and Governance (ESG) report of SOHO China. By disclosing our conception and practice of sustainable development in this report, we aim to engage with stakeholders and enhance mutual understanding, and 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 that of the annual report, and focuses on the performance of SOHO China with respect to ESG ideas and practices from 1 January 2019 to 31 December 2019. All data are from internal documents or statistical reports of SOHO China.

1. MANAGEMENT CONCEPT ON ESG

The pursuit for "spiritual progress and growth together with social and material development" is the sustainable development concept that SOHO China has always upheld. We attach great importance to ESG work, and have incorporated social responsibility and environmental protection issues into our corporate governance and daily operations, SOHO China actively pushes forward its own sustainable development process while committed to acting as a responsible social citizen and achieving a harmonious, win-win outcome for the Group, for its shareholders and for business partners.

1.1 Stakeholder Communication and Response

SOHO China views its communication with stakeholders as the top work priority, and has identified core stakeholders based on the range impacted by its sustainable development and on the industry background. We have established a variety of communication channels to increase the transparency of information disclosure, and regularly collect opinions and suggestions from senior management to help evaluate the importance of sustainable development for the Group's operations. We also learn about feedbacks and expectations of other related parties and evaluate how the Group's sustainable development influences these parties. We objectively and comprehensively evaluate the Group's ESG performance, and actively provide targeted responses.

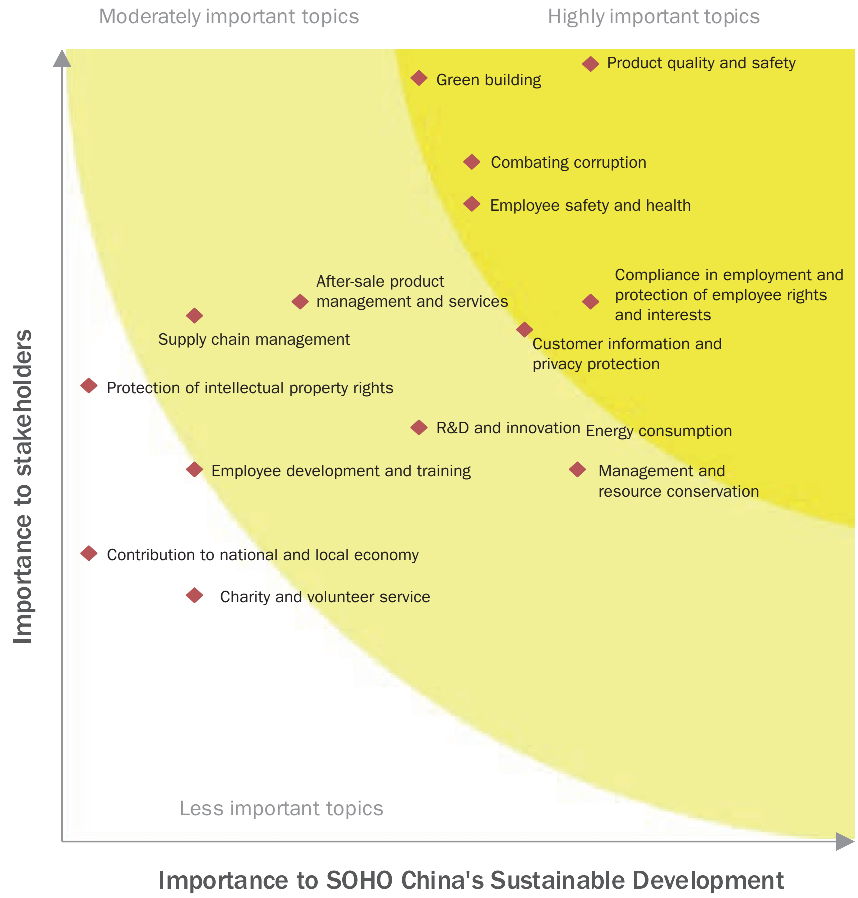
Major Stakeholders	Expectations and Requirements	Communications and Responses
Investors/ shareholders	• Return on investment • Operational risk mitigation • Protection of shareholders' rights and interests • Information disclosure	• Improved operating efficiency • Sound management systems • Mutual trust with investors • Periodic disclosure of financial 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

SOHO China regularly conducts stakeholder surveys with questionnaires to understand their views and expectations on the Group's ESG. In preparing the 2019 ESG report, we issued questionnaires to stakeholders and have received 328 responses. In view of the two dimensions "importance to stakeholder" and "importance to sustainable enterprise development," we have identified major ESG issues and formulated a matrix of key topics in 2019 based on data analysis results from the stakeholder questionnaires. It also took into account the macro background of corporate development, analysis of domestic and international social responsibility standards, corporate development strategy, important operational segments, and industry benchmarks. In order to better respond to the recommendations and expectations of stakeholders, we will, in this report, disclose management methods and results for the following topics.

SOHO China 2019 Major ESG Topic Matrix



2. ENVIRONMENTAL RESPONSIBILITY

SOHO China is a practitioner of green development, environmental and energy-saving concepts. As the largest Super A Grade office building developer in Beijing and Shanghai, SOHO China keeps exploring environmental and energy-saving measures for construction projects, actively responds to national environmental and green development policies, and works on green buildings to improve energy efficiency and reduce greenhouse gases as well as waste emissions.

SOHO China strictly abides 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 the Prevention and Control of Water Pollution,* the *Law of the People's Republic of China on the Prevention and Control of Environmental Noise,* the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution,* the *Energy Conservation Law of the People's Republic of China*, and other environmental protection and energy-saving laws and regulations. We also follow the *Work Program of the State Council on the Control of Greenhouse Gas Emissions under the "13th Five-year Plan",* the *Notice of the State Council on Printing and Issuing the Three-year Action Plan for the Blue Sky Protection Campaign,* the *Provisional Measures of NDRC on the Management of Transactions Regarding the Voluntary Reduction of Greenhouse Gas Emissions*, and other requirements on the reduction of greenhouse gas emissions. Earnestly following the *Notice of the Beijing Municipal Commission of Development and Reform on the Pilot Implementation of Carbon Emission Transactions,* the *Regulations of Beijing City on the 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. On this basis, SOHO China has formulated a series of environmental management policies including the *Control Procedure on the Identification and Evaluation of Environmental Factors* in a bid to regulate environmental management measures and perform the Group's environmental responsibility.

SOHO China, while continuously improving its environmental management system, strictly regulates waste discharge standards and disposal methods throughout the entire process of project design, construction and operation. It made efforts to continuously reduce pollutant emissions, effectively improve the efficiency of resource and energy use, and to reduce energy consumption.

Indicators	2019
Total wastewater discharge (tons)[1]	1,683.00
COD emissions (tons)	0.55
Total greenhouse gas emissions (Categories I and II) (tons)[2]	51,039.51
Direct emissions (Category I) (tons)	5,806.32
Natural gas (MWh)	5,998.26
Indirect emissions (Category II) (tons)	45,233.19
Purchased electricity (MWh)	55,069.37
Greenhouse gas emissions per sq.m. (floor area) per year (tons/sq.m.)	0.078

Notes:

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

For the purpose of fully taking into account the impact on resources and the environment, while maintaining the functions and quality of buildings, SOHO China optimizes various related factors and adheres to the green design concept in its commitment to building green spaces and minimizing environmental damages at the same time.

In 2012, we officially incorporated relevant design requirements under the Leadership in Energy & Environmental Design (LEED) building rating system in our design manual and listed them as SOHO China's design standards. We adopted the LEED-CS evaluation system for new and major renovation projects. In 2019, all of our projects under construction were green buildings, the designs of which all followed the LEED-CS Gold Standard (U.S.) and China's Two-Star Green Building Design Standards. By such means as with regard to land conservation, outdoor environment, water conservation and utilization, energy conservation and utilization, materials conservation and utilization, indoor environment quality, construction management, and operational management, the designs directly or indirectly reduced greenhouse gas emissions and pollutant discharges, strictly controlled waste, and made effective use of resources. During the reporting period, SOHO China obtained formal LEED certification or pre-certification for seven projects.

Case: Green Building Project – Gubei SOHO

Gubei SOHO, located in the core area of Shanghai Gubei International Business District, is a Super A Grade office building with a GFA of 146,692 sq.m.. It has been granted the LEED-CS Gold Certification and the standard certificate for the Two-Star Green Building Design.

The design of Gubei SOHO fully reflects the Group's green building concept on energy and water conservation. Gubei SOHO is equipped with high-efficiency enclosure system, HVAC system, intelligent lighting control system, energy-saving electrical equipment system, etc., and by applying a solar water heating system, it saves 19.03% more energy compared with the U.S. ASHRAE90.1 standard. Meanwhile, we adopted a water-saving appliance system to reasonably recycle and use rainwater and the system saves 46.32% of water compared to the LEED standard.

Case: Green Building Project – Leeza SOHO

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

Leeza SOHO was designed with green low-carbon technologies such as solar water heaters, air-conditioning energy-saving technology, motor energy-saving technology, solar energy utilization technology, rainwater utilization technology, water-saving appliances and control technology, which fully reflect the energy- and water-saving architectural principles. Moreover, Leeza SOHO is equipped with a 3D visual BIM operation and maintenance management system, including energy and equipment management systems that monitor and adjust the energy-saving performance of the building in real time, so as to improve its energy efficiency.

LEED-CS Gold Certificate

LEED-CS Gold Certificate

Standard Certificate for
the Two-Star Green Building Design

2.2 Green Construction

In order to reduce the amount of waste generated, optimize the use of resources, and mitigate the impact on the environment, all of SOHO China's projects under construction adopt green construction solutions. We practice all-round measures for emission and pollution reduction by using environmentally-friendly building materials, protecting the ecological environment, saving resources, and optimizing waste management. By adopting a solution to reduce waste pollutant and turn them into resources, we keep increasing the waste recovery rate.

In terms of the use of building materials, we use environmentally-friendly adhesives, detergents, decoration, and other materials to improve indoor air quality, reduce the emission of harmful gases, and create a healthy living environment. Meanwhile, SOHO China maximizes its use of local, renewable, recyclable, and reusable materials, green property operation and maintenance materials, and green office consumables in its construction and operation processes to reduce resource consumption and pollutant discharge during production and transportation.

In terms of ecological protection, SOHO China is committed to protecting the original ecological conditions of the project site by setting up enclosures during construction and by strictly implementing a plan to prevent soil and water losses. It makes efforts to protect the original vegetation on site, minimize damage to soil and biodiversity, and ensure the least possible soil losses and disturbances to the ecosystem. Besides, we build sedimentation tanks and drainage ditches at the construction site to uniformly treat the sewage generated and discharge it into the municipal sewage pipework after it has duly reached the discharging standard.

In terms of resource conservation, we prioritize the use of natural lighting and improve the efficiency of energy system operations so as to realize energy-saving operations, effectively reduce greenhouse gas and pollutant emissions from energy consumption, and reduce environmental impact and damage. In addition. We rationally use water resources while saving water and energy through rainwater recycling, reclaimed water utilization, and water-saving appliances.

In terms of waste management, we set up closed garbage containers in the living area of the construction site, where domestic waste is bagged and removed in a timely manner. We sort and store construction waste and hazardous waste before collecting them in the onsite closed garbage station for centralized transportation, and hire qualified service providers to conduct harmless treatment.

In terms of noise management, the Group provides that night-time construction shall be avoided, and working hours shall be separated from those for normal rest as much as possible. In addition, we adopt sound insulation measures for major noise sources such as forklifts, cutting machines, punchers, etc., to minimize their impact on residents.

Indicator	2019
Building waste (tons)	4,843.93

2.3 Green Operations

SOHO China consistently adheres to the concept of green development, strictly complies with the purpose of green building operation and maintenance, and comprehensively implements measures for saving energy, water, materials and for environmental protection. During project operations and daily office work, it sets up and improves a sound system of regulations, carries out cultural publicity, conducts management over equipment facilities and takes other means to improve energy and water use efficiency, to optimize waste management, and to realize energy conservation and emission reduction. We take the energy and equipment management platform as the main foundation for achieving the efficient use of energy throughout the building's life cycle.

SOHO China developed and implemented a series of management policies at the project operation stage, including the *Energy Data Management Policy*, the *SOHO China Policy for Energy Conservation at Office*, the *Equipment and Facility Management Policy*, the *Public Lighting Management Policy*, the *Management Policy for Community Energy Conservation*, and the *Profit Accounting Method for the Energy Performance Assessment of the Asset Management Company*. Through scientific management, we reasonably utilize resources to effectively save energy and reduce emissions. The Group's Quality Department effectively controls quality and appraises performance on a monthly basis.

We incorporate the concept of green management into our daily operations. By posting tips on water and electricity conservation at project sites and offices, setting bulletin boards for energy-saving publicity, and holding various cultural and publicity activities, we aim to cultivate and heighten our staff's green and environmental awareness, and call upon all of them to make contributions to waste and emission reduction during project operation.

In terms of efficient energy use, we set up enclosure structures and optimize the air-conditioning, lighting systems and other equipment systems to make energy-saving designs and engage in energy-saving operation for buildings. We optimize the energy-use structure and improve energy efficiency to facilitate the reduction of greenhouse gas and pollutant emission. In addition, the Group strictly manages the use of environmentally-friendly refrigerants in the refrigeration system to reduce damage to the atmospheric ozone layer. In order to effectively control the use of energy, related management platforms for energy resources and equipment have been established in all buildings of SOHO China. These platforms enable unified monitoring of energy use data, individual project management, and onsite management of operators.

Indicator	2019
Total energy consumption (MWh)[1]	61,067.63
Direct energy consumption (MWh)	5,998.26
Natural gas (MWh)	5,998.26
Indirect energy consumption (MWh)	55,069.37
Electric power (MWh)	55,069.37
Energy consumption per sq.m. (floor area) per year (MWh/sq.m.)[2]	0.11

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.*

In terms of the utilization of water resources, we strictly implement the rules for water-saving operation and management, strengthen water management, adjust water structure, improve the means and efficiency of water use. Meanwhile, we adopt water-saving appliances such as dual flush toilets, low-flow taps, inductive faucets and flush valves to reduce flush volumes. In addition, we actively promote the recycled use of rainwater and reclaimed water, and strive to effectively improve water conservation benefits. In 2019, the property management division adopted efficient irrigation technology to use collected rainwater or circulated water on the site, and introduced high-pressure water guns and other technologies to clean the ground. These measures significantly reduced the consumption of drinking and irrigation water compared to traditional methods.

Indicator	2019
Tap water (tons)	690,301.40
Tap water consumption per sq.m. (floor area) per year (tons/sq.m.)	1.19

In terms of solid waste management, we implement a garbage management system, set up garbage rooms, and require cleaning staff to collect garbage in the dustbins at a specified time every day and collectively transfer them to the garbage station. Wet and dry garbage in the garbage room is subject to separate management and classified storage. Cleaning devices have been equipped to spray chemicals regularly for disinfection. Waste newspapers, magazines, paper, glass, metal, plastic and other recyclable garbage are regularly treated, and hazardous waste is uniformly sent to a qualified plant for harmless treatment.

Indicator[1]	2019
Non-hazardous waste (tons)[2]	13,782.39
Domestic waste	6,781.96
Kitchen waste	2,156.50
Construction waste	4,843.93
Non-hazardous waste per sq.m. (floor area) per year (tons/sq.m.)	0.024
Hazardous waste (tons)[3]	1.61
Waste toner cartridges	0.00
Waste cartridges	0.05
Waste fluorescent tubes	1.56
Hazardous waste per sq.m. (floor area) per year (tons/sq.m.)	0.000003

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. EMPLOYMENT AND LABOR STANDARDS

The rapid development of SOHO China is the result of the joint efforts of all the employees. We always adhere to the "people-oriented" management philosophy, keep improving the management mechanism for human resources, optimize the remuneration management system, and effectively safeguard the legitimate rights and interests of employees. We continuously optimize the health and safety management system, and strive to provide employees with a safe and healthy working environment so that their health and safety can be ensured. In addition, we help employees realize their worth and encourage their growth and development by providing them with an equal and open development platform and creating career development opportunities. We provide help and care for employees based on our regular understanding of their needs, as an effort to seek harmonious development between employees and the Company.

3.1 Employment Overview

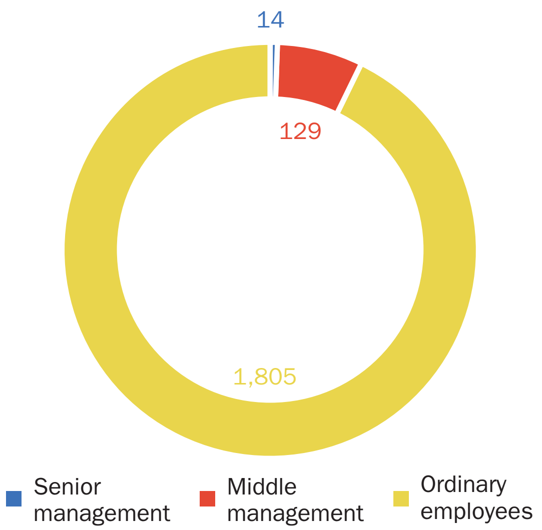
A harmonious and equal employment relationship is fundamental to the long-term development of the enterprise. SOHO China has established and kept improving its human resources management system, adhered to the equal, diversified and compliant employment practice, and made efforts to protect employees' legal rights.

SOHO China strictly abides by 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 the Protection of Rights and Interests of Women and Children*, and on the basis of those laws, established and improved its employment and management rules and policies, in a bid to strictly regulate the recruitment and employment processes, and effectively safeguard the legitimate rights and interest of employees.

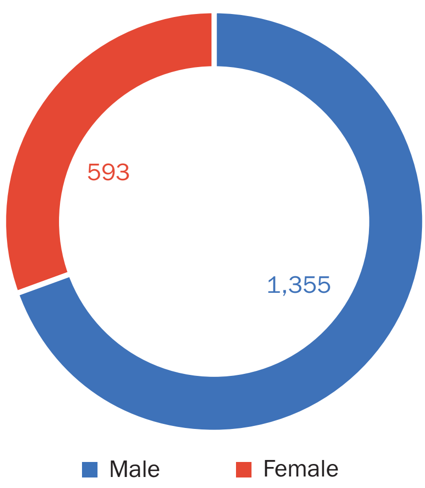
SOHO China opposes all forms of discrimination based on gender, ethnicity, age, belief, and region. We strictly prohibit child labor and any other types of forced labor, and have established a series of policies to prevent such activities from occurring. The *Employee Handbook of SOHO China* clearly stipulates that no child labor shall be employed, and demands the employees' graduation certificates, identification documents and other documents to be strictly checked when employees are registering and going through the entry procedures. In 2019, there were no violations of such rules by recruiting child labor or forced labor in SOHO China.

With regard to recruitment, SOHO China conducts diversified and equal recruitment via headhunters, online platforms and campus talent reserve plan, and it eliminates local policy-based preference in the recruitment process. In addition, we sign labor contracts with employees in accordance with the law to fully protect their rights. For the management of labor employed through third parties, we also strictly follow the national standards, and require the dispatching agency to meet national laws and regulations concerning the personnel management standards. In 2019, the Group's signing rate of labor contracts with employees reached 100%, with a total of 1,948 persons employed.

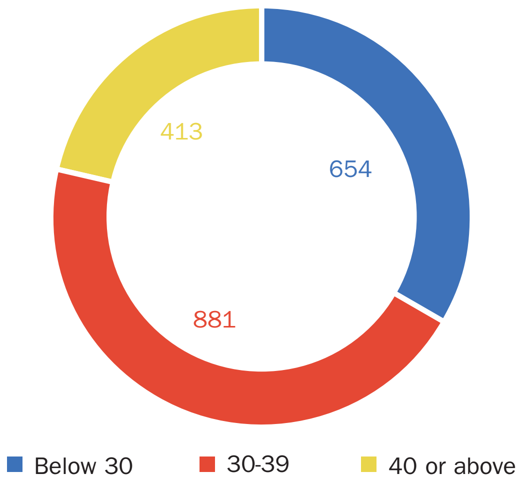
Number of Employees Classified by Type



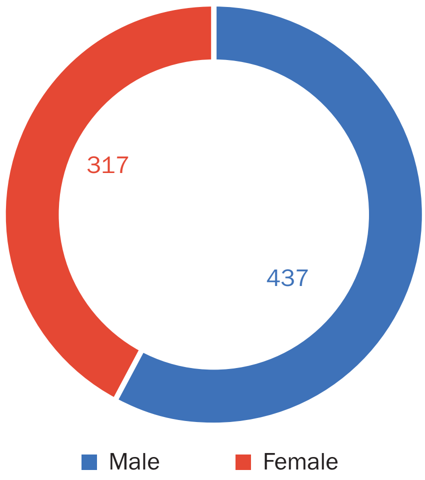
Number of Employees Classified by Gender



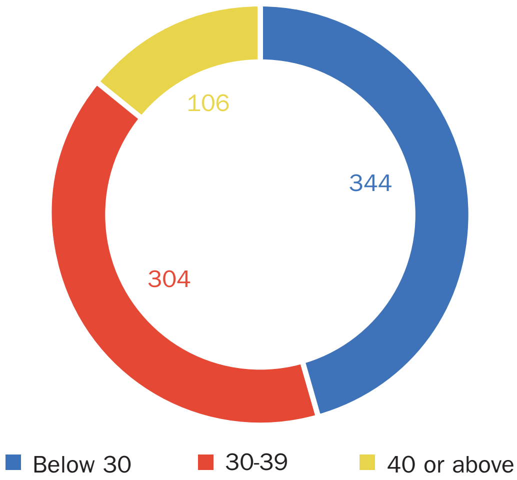
Number of Employees Classified by Age



Number of Resigned Employees Classified by Gender



Number of Resigned Employees Classified by Age



3.2 Payroll Management

SOHO China has gradually improved and optimized its remuneration and benefits system, and consistently kept providing employees with fair and reasonable compensation. SOHO China pays social insurance and housing provident fund for all employees in accordance with relevant national and local laws and regulations. In addition, in order to further protect employees' rights and interests, it provides commercial supplementary insurance for employees, and organizes employees to participate in health checks on a regular basis, with a view to improve their treatment in various aspects and comprehensively protect their physical and mental health.

In addition, the Company has continuously improved the performance evaluation system and implements a monthly performance evaluation system that connects the evaluation results to employees' performance salaries. The system helps fully recognize the individual employee's talents, provide them with a development platform, and meet their professional needs to keep growing and realize their worth.

3.3 Occupational Health and Safety Management

SOHO China adheres to the "people-oriented and health-emphasized" management principle, and attaches great importance to the occupational health and safety management of employees. We make sustained efforts to improve the occupational health and safety (OHS) management system and strengthen the management mechanism for high-risk work and fire safety. While providing employees with a safe working environment and strengthening their self-protection, we regularly hold various safety trainings and emergency drills to comprehensively protect employees' health and safety. By 2019, the Group had received the certification for OHS management (OHSAS 18001). During the reporting period, there were no death accidents caused by work-related reasons in SOHO China.

- *Improving the Occupational Health and Safety Management System*

  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 the Prevention and Control of Occupational Health*, the *Law of the People's Republic of China on Fire Protection*, the *Law of People's Republic of China on Emergency Response,* the *Regulations on Reporting, Investigating and Handling Production Accidents*, SOHO China has 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 the Identification of Sources of Danger and for the Evaluation and Control of Risks*, and the *Measures for Handling Major Death and Injury Accidents in Project Management*. Additionally, we have established an OHS management policy covering employee health and safety, fire safety, and specific high-risk work. We keep identifying environmental impacts and damages at the project site, reducing the health and safety risks of employees.

  Meanwhile, we attach great importance to safety management, and require all management personnel to take safety management earnestly. We have included records on project safety accidents to the performance assessment process. Once a safety accident occurs, it will be dealt with seriously in accordance with relevant regulations, the responsible person and related management personnel will not be entitled to performance bonus for the relevant month.

- *Ensuring a Safe Working Environment*

  To protect the safety of both employees and the work site, we have specially formulated work instructions and management plans, and based on them, regularly maintained equipment and facilities. We have also developed rules for related parties' access, approval of operations and the application of permits. We strictly review the qualifications of operators, conduct regular onsite supervision and inspection. We identify and manage the sources of danger on the site and set up safety signs to ensure that the ground in the work area is intact and level. We also place all kinds of manhole covers in the right place and attach warning signs or take protective measures for all types of prominent objects. With all these measures, we aim to mitigate or eliminate the related negative risks.

  In addition, SOHO China has established a set of mechanisms for security inspection and emergency reports. It regularly inspects safety-related equipment and facilities, and takes the measure of synchronized checks and corrections for public places in the Group, especially alarm devices, emergency rescue equipment and facilities in densely populated areas, as well as exit passageways. For the storage of flammable and explosive dangerous goods, we strictly abide by the requirements of the *Regulations on the Safe Management of Dangerous Chemicals*. In particular, we inspect the onsite management of dangerous sources on a monthly basis, promptly dispose of the dangerous sources found onsite, eliminate potential dangers and respond to emergencies. We also conduct special inspection patrols for high-risk areas.

  In terms of fire safety, the Group has clear established rules for safety monitoring and management, fire control standards, fire emergency plans and other regulations to ensure that fire safety management work is effectively carried out. In strict accordance with laws and regulations, 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.

- *Effectively Managing High-risk Work and Protecting Employees*

  To prevent employees from occupational injuries and diseases, and to protect their personal safety, SOHO China has adopted a series of protective measures for high-risk work and special operations. First, employees have the right to choose whether to engage in high-risk work and special operations. Second, we take out insurance for employees and equip front-line employees and special operators with protective products that comply with national standards, such as noise-proof earplugs, insulated boots, insulating gloves, anti-static clothing, etc., so as to prevent occupational hazards. In addition, we provide cool drinks for employees who work outdoors in the summer to protect them from heatstroke, and we compensate them with "high temperature bonus".

- *Holding Education and Training on Safety*

  To enhance employees' awareness of safety risks and self-protection capabilities, and to ensure their occupational health and safety, SOHO China regularly holds various trainings on safe production. We organize extensive education and trainings on safety and risk prevention for employees by arranging for the provision of educational videos, safety training courses, workshops for exchanging ideas, and emergency drills.

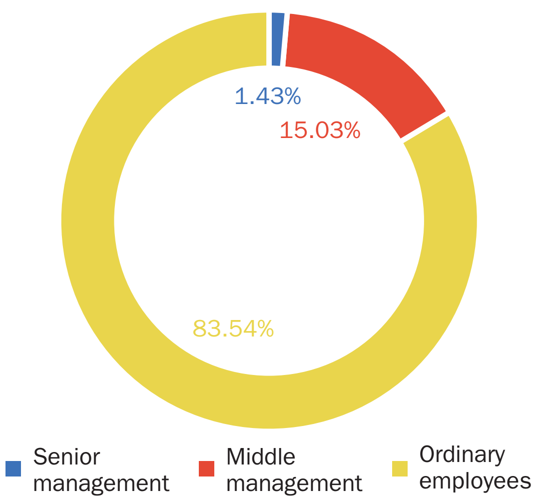
- *Emphasizing the Management of Suppliers' Safety*

  For the purpose of effectively managing health and safety risks and reducing hidden dangers in the supply chain, SOHO China attaches great importance to the management of suppliers' safety. First, we require suppliers to strictly abide by national OHS laws, regulations and industry standards, and review their safety qualifications during our screening of possible suppliers. Second, when external suppliers need to carry out high-risk work, we will hold safety training and release notifications on occupational hazards to ensure the health and safety of employees in all aspects.

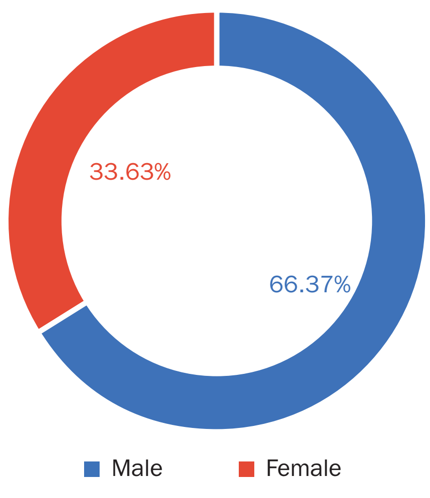
3.4 Development and Training

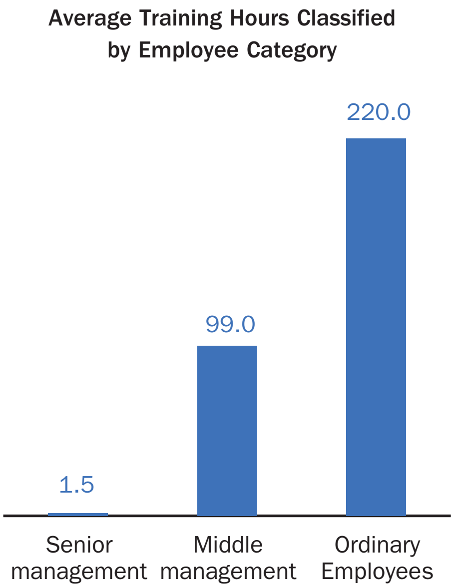
SOHO China attaches great importance to the value and development of employees, and constantly keeps improving our training system. We make full use of the knowledge management platform to evoke employees' learning enthusiasm and uplift their performance. We also continuously optimize our performance appraisal system and increase investment in talent building to help them grow and prosper. In 2019, a total of 19 types of special training events were organized on the knowledge management platform, including 40 training sessions that amounted to a total of 98.8 hours and recorded 4,097 attendances. In addition, we also conducted a number of systematic training sessions on such topics as English, 5G laboratory visits, the Python technology, etc.

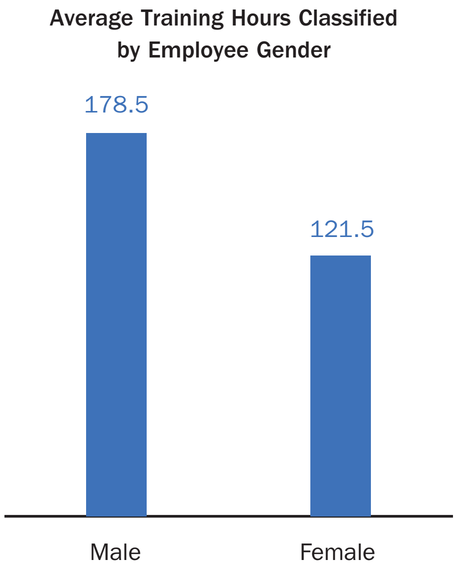
Percentage of Trainees Classified by Employee Category



Percentage of Trainees Classified by Employee Gender







- *Knowledge Management Platform*

  In order to facilitate employees' independent learning and improvement, SOHO China has set up an internal knowledge management platform to provide employees with various online interactive courses, which effectively solves such problems as related to the cost, time, and venue, with enhanced training flexibility and improved learning efficiency. In addition, we have also formulated incentive policies for the development and production of electronic courses on the knowledge platform. We encourage employees to independently develop learning courses based on their own work abilities and transform their expertise and experience into crash courseware and micro courses, forming a good interaction mechanism, which effectively accumulated a wealth of industry information and expertise for employees and the Company.

3.5 Employee Care

SOHO China cares about the life and work of employees, attaches importance to their professional development and personal pursuit, and endeavors to create an honest, united and caring environment and culture. In addition, by taking such measures as improving the working environment, paying attention to employees' health, aiding employees in need and organizing cultural activities, we put our care for employees into practice so that employees can truly feel the care and respect from the Company.

We value communication and exchanges with employees, learn about their needs in a timely manner, and engage in building a communication bridge between employees and the Company. We have set up complaint channels including the 400 hotlines to ensure smooth communication. When treated unfairly, employees can directly complain, report and provide feedback to their supervising department, the Human Resources (HR) Department or the Internal Audit Department.

We keep improving the office environment and quality for employees, provide them with a comfortable and healthy working environment, with fresh air systems and air purifiers installed in office areas, gyms built, offices and employee dormitories renovated, and the accommodation conditions improved. We provide employees with pure drinking water, and regularly disinfect and sterilize the office space to guarantee a hygienic and clean office environment.

We care for the health of all employees, and therefore purchase commercial medical insurance for employees and their non-employed spouses and children. We provide medical services including physical examinations and dental cleaning every year, and adopt cold and heatstroke prevention measures for employees in winter and summer. In addition, we remind them to prevent cold and other epidemic diseases during the transition of seasons, with daily medicines supplied in the offices of the Group.

SOHO China cares for and respects female employees, and always pays attention to their special needs. We allocate suitable positions for female colleagues during pregnancy, and allow them to wear comfortable and decent casual clothes during work.

4. SUPPLY CHAIN MANAGEMENT

Committed to building a standardized, fair and transparent purchase and tendering system, SOHO China constantly optimizes its supplier management, shares resources with suppliers and seeks harmonious, win-win benefits with them. While actively building a sustainable supply chain, it works on jointly promoting the healthy development and continuous progress of the entire industry.

SOHO China has worked out a series of regulations including the *SOHO China Measures on the Management of Procurement and Tendering*, the *Measures for the Management of Suppliers on the Purchase Platform*, the *Management Requirements for Blacklisted Suppliers*, the *Tiered Management Measures for Contractors and Suppliers*, so as to clearly regulate the purchase process, assessment standards, audit measures and other procedures.

The terms in the contracts between the Group and suppliers specify that suppliers must comply with relevant local laws and regulations. After review and verification, only enterprises that have proved to be qualified and have conformed 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 their qualifications, and certifications specific to the related industries and systems. In addition, SOHO China strictly manages suppliers and requires each newly introduced supplier to sign a Letter of Commitment with SOHO China, and to read and accept the *SOHO China Management Regulations for Blacklisted Suppliers*. No violation against any laws, regulations or rules by suppliers and other undesirable behaviors shall be tolerated. Once found to have such violation or behavior, the supplier will be blacklisted in accordance with the regulations and regularly announced on the webpage of the Group. Social enterprises and individuals may view the latest information of blacklisted suppliers on external websites of the SOHO China procurement platform, so as to reduce their risks of hiring blacklisted suppliers. In 2019, a total of 31 suppliers were blacklisted for violating SOHO China's *Measures for the Management of Suppliers on the Purchase Platform*.

The Group takes onsite supervisory measures to strictly control the receipt, inspection, payment and other links related the purchase of goods. It comprehensively evaluates suppliers from the perspectives of service quality, control of schedule and contract management. In line with the *Tiered Management Measures for Contractors and Suppliers*, it manages supplier-related issues in a hierarchy manner, and releases punishment letters, quality warning letters, quality negotiation letters, warning letters, contract cancellation letters and other documents to promote efficient communication between the two parties. The Group maintains long-term cooperation with excellent suppliers to promote the joint improvement with suppliers in terms of business ethics, product and service quality. In addition, the Group keeps improving the communication and feedback methods on the external websites of the procurement platform to encourage reporting of suspected corruption. Once feedback is received, the Group will immediately organize independent full-time personnel to conduct investigations. Meanwhile, our Audit Department and Procurement Center keep close contact with each department and conduct strict supervision to ensure open, fair and impartial tendering and procurement.

ERP Management System

SOHO China applies the ERP supplier database system to record the suppliers' business registration information, service qualifications, contracts signed, performance evaluation scores and other details, and performs classified management based on the suppliers' service qualifications to effectively manage the supply chain in an intelligent manner. In addition, the Group has adopted the supplier resource sharing strategies of joint tendering and centralized procurement for projects at different locations, thereby reducing procurement costs and improving procurement efficiency.

Business Intelligence System

SOHO China gradually improves its digital and information-based platform for supply chain management and has designed and developed a business intelligence (BI) system that displays real-time data in each link of the bidding and procurement process. This system provides a data analysis basis for the Group to work out the procurement strategy, and facilitates the efficient management of procurement.

The Supplier Certification System and the Electronic Contract Signing System

In 2019, SOHO China upgraded and improved its supplier certification system and electronic contract signing system. By connecting to the State Administration for Industry and Commerce and the real-name database of telecommunications operators for online verification, the Group realized online registration, verification and automatic recording of suppliers, thus simplifying the process for including them to the database. SOHO China has developed an electronic signature system that is based on the electronic seal technology and digital certificates to ensure the signing security of electronic contracts and their tamper-proof nature after signing, as well as the authenticity of the signing parties. It employs a time stamp technology to ensure the accuracy of the signing time and encrypts the transmission process to ensure data privacy, thereby realizing an online and systematic way for verifying suppliers and signing electronic contracts.

As of 31 December 2019, the Group's total number of raw material suppliers reached 17,182. Over 90% of the suppliers were located in North China (9,344 in total) and East China (6,403 in total).

Indicator	Number
Total number of suppliers	17,182
Suppliers in East China	6,403
Suppliers in South China	794
Suppliers in Central China	106
Suppliers in North China	9,344
Suppliers in Northwest China	81
Suppliers in Southwest China	141
Suppliers in Northeast China	96
Suppliers in Hong Kong, Macau and Taiwan	130
Overseas suppliers	87

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: Hong Kong, Macao and Taiwan*

Green Procurement

SOHO China adheres to the green principle in its procurement process and is committed to improving the awareness of the supply chain on environmental responsibility. Since 2009, all SOHO China's new construction projects have developed procurement regulations and specific requirements in accordance with the LEED Gold Standards of the U.S. Green Building Council (USGBC). With the green procurement concept incorporated, our tender documents clearly specify our standards and requirements on sustainable development, covering pollution control, waste management, the use of renewable, local, and low-emission materials in construction, and energy system tests, etc. Suppliers are also required to perform the contracts in strict accordance with these requirements.

In addition, we have 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, thereby reducing consumption of office supplies 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. RESPONSIBILITY FOR PRODUCTS AND CLIENTS

SOHO China always puts service quality and clients first to ensure that the Group's service quality control is always at a high level in the industry. We are committed to improving the quality of entire business chain and winning clients' long-term trust in the Group's brand.

5.1 Improvement in Industry Efficiency

As a leading developer of commercial real estates, SOHO China always follows technological developments and innovation in the industry, as part of its efforts to promote the common progress of the real estate industry and its industry ecosystem. SOHO China actively explores the business and relies on the latest R&D achievements to encourage innovative applications and vigorously promote the efficient and healthy development of the industry.

- *The Free 5G Lab*

  In 2019, SOHO China realized its 5G network coverage of all buildings in Beijing, and we built a 5G laboratory open to the public for free at Leeza SOHO. The lab invited domestically leading 5G companies to exhibit products and the public to visit the 5G Lab for free and to become the first to experience high-quality 5G smart services. The lab displays five major application scenarios: 5G + smart buildings, 5G + smart perception, 5G + smart healthcare, 5G + UHD videos and 5G + remote interaction. It aims to promote industry exchanges, improve the quality of public life, and show the forward-looking effect of the 5G technology and the changes it may bring to life. By doing so, it will provide more possibilities for people to enjoy an ideal life.

5.2 Protection of Intellectual Property Rights

SOHO China's advertising and its use of logo always follow the laws, regulations, judicial interpretations and self-discipline rules formulated by the national, local authorities and industry associations, including the *Advertising Law of the People's Republic of China*, the *Interim Measures for the Administration of Internet Advertising*, the *Trademark Law of the People's Republic of China* and the *Copyright 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 codes for the use of brand logo and the related implementation requirements, requiring headquarters, subsidiaries, and branches to comply with related regulations in their advertising activities.

Out of its business development needs, SOHO China has actively applied for new exclusive rights to use registered trademarks. To prevent unauthorized use, the Group has registered trademarks both at home and abroad. The registration, renewal, application and legally consultation regarding the Group's trademarks and other intellectual property-related issues will be conducted at the competent intellectual property authority. In 2019, we continued maintaining the legal management platform system and used it for timely update of trademark information and status and to effectively manage them. The Group collects information on the unauthorized use of trademarks through other people's reports or active discovery. Moreover, the Group screens such use of trademarks through active investigations or with the assistance from external suppliers. During the reporting period, there were no lawsuits related to any trademark or intellectual property rights (IPR) of SOHO China.

In the contracts signed between SOHO China and third parties, such intellectual property issues as related to the copyright of software development and scheme design are subject to detailed terms and conditions. For major contracts, the Group will add confidentiality clauses and require suppliers to sign a confidentiality agreement at the beginning of the project. With the above measures, SOHO China protects its IPR from infringement.

5.3 Improvement in Property Services

Continuous improvement and upgrade of service levels are not only the requirements of property companies in this era, but also the pursuit of SOHO China as a socially responsible enterprise. In 2019, in addition to the Group's existing rules and regulations such as the *Management Manual*, the *Engineering Management Manual*, the *Environmental Management Manual*, and the *Safety Management Manual*, we also revised the *SOHO Property Company's Management Policy for Contract Performance*, the *SOHO China Policy for Property Land Management*, the *Management Measures for the Inspection and Evaluation of Property Quality* and other institutional documents, the company also established new codes such as the *Policy on Managing Asset Management Companies and Property Project Plans*, the *Management Measures on Admission Procedures for Outsourced Personnel*, and the *Policy on the Machine Room Management by the Property and Asset Management Companies*. In addition, the Quality Department is responsible for checking the site, personnel service performance and the operational status of facilities, so as to ensure that the implementation of various tasks meets the requirements of policies and regulations.

SOHO China's standards for property service quality are all higher than the national requirements and that of our counterparts. For example, the national and industry requirements on the time of door-to-door repairs is within 30 minutes, but SOHO China's requirement is within 15 minutes. In terms of property facilities, we upgrade air-conditioning systems and air purification systems for self-sustaining projects every year to ensure that clients always enjoy fresh air and a comfortable environment.

The Group boasts a complete property management and inspection system. With the Quality Department as the leading unit, we regularly conduct systematic inspections over the onsite environment, personnel services and equipment status in accordance with the *Management Measures for the Inspection and Evaluation of Property Quality*. In line with our principle to "be accountable to clients", we intensified our efforts in inspecting the performance of property outsourcing contracts in 2019. We also strengthened the management and control of outsourced units by inspecting the performance of externally commissioned contracts. Those measures not only helped to discover the potential quality and safety dangers in time, but also maintained the Company's contractual rights and interests. They also served as part of the ways to improve our service level and protect the rights and interests of owners and clients. Specifically, these measures include:

Non-engineering measures: The height, weight and age of outsourced security personnel shall comply with the contractual requirements; and the age of the outsourced cleaning staff, and the dress and appearance of other outsourced service staff shall also comply with the contractual requirements.

Engineering measures: Inspection over the project construction status based on the *SOHO Property Company's Management Policy for Contract Performance and the Management Policy on the Performance of Engineering Outsourcing Contracts*, including the qualifications of personnel, the contractual compliance of materials used, the protection of finished products, and project quality.

5.4 Protecting Clients' Privacy

For the purpose of ensuring the proper protection and management of each client's personal information and privacy, SOHO China consistently improves the management system for information security, enhances its employees' related awareness and standardize the use of information systems.

SOHO China strictly abides by related laws and regulations such as the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* to protect client data and privacy, and ensures that no third party is allowed to view clients' private information without due permission. In terms of the management of system information security, SOHO China has put in place clear security requirements and employed external auditing agencies to monitor and audit the related work and ensure that the system runs smoothly and securely. For hard copies and electronic versions of client information, SOHO China has designated personnel to regularly manage data with designated computers to enhance client data security and prevent any legal risks arising from information disclosure, and to safeguard 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) before they may access private information. In 2019, there was no lawsuits related to client privacy against SOHO China.

5.5 Handling Client Complaints

The Group has established a unified national call center to deal with client service demands and complaints at any time. Upon receipt of client information, the call center immediately sends feedback to the responsible department, which then handles the onsite problem for the client swiftly. In addition, the call center conducts a post-visit and investigation on the handling results of the complaint. Information related to important complaints will be referred to the Company's management, which will intervene in the case and follow up on its progress until it is completely resolved.

SOHO China conducts client satisfaction surveys twice a year, both of which returned a satisfaction rate above 99%. In addition, the call center platform is required to run statistics on client satisfaction once a month to track client satisfaction level. If fluctuations are found, special staff will be immediately assigned for investigation and analysis, so as to maintain the satisfaction level for the property services.

Item	2019 data
Customer complaints (times)	50
Customer satisfaction (points)	98.4

5.6 Enhancing Communication and Exchanges with Clients

As part of its work to enhance our communication and exchanges with clients and to better serve them, SOHO China hosted the Wangjing SOHO Games in 2019. For the first time, dozens of corporate clients in the building were invited to participate and compete together. The event effectively promoted our communication and exchanges with corporate clients, and delivered healthy concepts to them.

Community Games

6. ANTI-CORRUPTION WORK

SOHO China upholds a corporate culture of "honesty, solidarity and innovation" and has always prioritized "honesty" first. The Group strictly abides by laws and regulations including the *Company Law of the People's Republic of China*, the *Anti-money Laundering Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Interim Provisions for 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*. The Group has also formulated a series of management rules on anti-corruption and anti-bribery work, and on internal control and compliance management, including the *SOHO China Code of Professional Ethics*. Those regulations clarify the management requirements for anti-corruption and clean-governance work. Through training and publicity, the Group also works on promoting the awareness of staff at relevant positions with regard to their duty performance in business processes; meanwhile it improves measures for managing and following up complaints to prevent corruption and fraud.

6.1 Cultivation of Employee Ethics

SOHO China's *Employee Handbook* clearly stipulates requirements, guidelines and ethical policies to prevent bribery, extortion and fraud, so as to communicate to employees the anti-corruption and anti-fraud requirements of the Company. The *Employee Handbook* contains provisions related to "avoiding improper payments", and requires each employee to sign for the relevant provisions. In addition, we regularly review and update our internal policies to ensure compliance with the latest applicable laws and regulations.

SOHO China's HR Department organizes anti-corruption training every year and the lecturers are delivered by specialized departments such as the HR Department, the Legal Department, the Procurement Department and the Internal Audit Department. The training covers topics such as anti-corruption, anti-unfair competition, anti-bribery (relevant criminal law), and anti-money laundering work, conflicts of interest, gifts and entertainment. It also focuses on related laws and regulations and the content of the *SOHO China Code of Professional Ethics*. The Internal Audit Department cites audit cases to emphasize the importance of honesty and the serious impact of corruption on employees' careers, and stresses the Company's stringent attitude against such practices. The Internal Audit Department has conducted law and compliance-themed publicity and educational activities for all employees. In addition to improper payments and anti-bribery topics specified in the *Employee Manual*, the main training content also highlights the requirements of national laws and regulations.

SOHO China regularly conducts training on professional ethics for new employees every year. It conducts integrity education every year. It regularly conducts anti-corruption training on a yearly basis and tests the business knowledge of main personnel, including the code of conduct. The test results form an important reference for performance appraisal and promotion. Besides, we also conduct audits on specific businesses every year to prevent bribery, extortion, and fraud.

6.2 Complaints and Follow-up Measures

Effectively operating complaint channels and timely follow-up measures have built a bridge between the Group and its clients as well as suppliers. They improve both client satisfaction and the quality of the Group's management.

The Group has put in place a smooth and efficient reporting system. It publishes telephone numbers and email addresses on the portal for employees and third parties to communicate with the Internal Audit Department. Thus, any improper behavior of employees or suppliers, and suspicious businesses (including commercial bribery, embezzlement, fraud, conflict of interests, falsification of financial data, misuse of assets, etc.) could be reported. A series of protective measures are also taken for the reporters. Upon receipt of a reported case, the reporter's information will be kept strictly confidential, including his/her telephone number, email address, and company or department information. Moreover, if an employee discovers illegal corruption, he/she can also report it to the head of his/her competent department or the HR Department, the Legal Department, and the Internal Audit Department. The Company will conduct a special investigation into the illegal acts found in the audit and the complaints received. Once the facts are confirmed, the cases will be treated seriously. In 2019, the Group received no more than 10 complaints. After investigation, we found that these complaints were basically not related to corruption or bribery, and they have been effectively resolved through smooth and efficient communication.

In 2019, no corruption-related incidents took place at SOHO China. With the development of businesses, the Company will further improve its anti-corruption system, enhance supervision and expand the scope of publicity, so as to effectively raise the anti-corruption awareness of employees at all levels and create a good anti-fraud and anti-cheat culture.

7. COMMITMENT TO COMMUNITY DEVELOPMENT

SOHO China actively engages in public welfare and the work on building harmonious communities, as part of its efforts to create a better life. The Group cares about education, and has carried out a number of public-welfare educational projects through the SOHO China Foundation, which benefits students of all ages and aims at promoting both cultural and material development of society. In 2019, SOHO China's public welfare donations amounted to USD5 million.

7.1 SOHO China Scholarship

The SOHO China Foundation spent USD100 million to launch the SOHO China Scholarship Program, which aims to provide scholarships to undergraduate Chinese students studying at the world's top universities. Our aim is to provide the best education in the world for the best Chinese students, and to make available educational support to more Chinese students who need financial aid. In 2014, the SOHO China Scholarship Program signed donation agreements with Harvard University and Yale University to provide financial assistance to Chinese students studying in these two reputable universities. In 2019, SOHO China continued to fulfill its donation agreements with Harvard University and Yale University, enabling more Chinese students to benefit from the program.

7.2 Educational Poverty Alleviation in Paijizhai

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 2019, SOHO China donated for the establishment of an international kindergarten in Gansu named "Yangzheng Kindergarten". The kindergarten is located in Shizui Village, Mapanquan Town, Maiji District, Tianshui City, Gansu Province. It covers an area of about 7,890 sq.m. and a construction area of about 2,800 sq.m. It was designed by Japanese architect Sako Keiichiro and constructed by Tianshui Yongsheng Group. The name "Yangzheng Kindergarten" is derived from the Chinese concept of "cultivating the righteousness in the world and learning from perfect saints in ancient and modern times". That idea is much in common with the "Yangzheng School" founded by the great grandfather of Mr. Pan Shiyi in his hometown in 1903. The kindergarten is a non-profit project that accommodates more than 200 children. It aims to input the best educational resources into the poor area, solve the schooling problem of local children of appropriate age, and improve the preschool education in the area.

Yangzheng Kindergarten

7.3 Beijing Swift Project

In 2019, SOHO China and Beijing Bird Watching, an environmental agency, jointly launched the Beijing Swift Project in Qianmen Avenue, the traditional habitat of Beijing swifts, an Apodi species. In the work to build nests for Beijing swifts, representatives from several Beijing middle schools were invited to the event. By doing so, the organizers brought knowledge on how to protect Beijing swifts to schools and raised the awareness among young students on ecological protection and on the building of a beautiful ecological home.

Beijing Swift Project

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately RMB1,847 million during the Year, representing an increase of approximately 11% compared with the revenue of approximately RMB1,668 million in 2018 (excluding rental income from the Disposed Project).

Profitability

Gross profit for the Year was approximately RMB1,510 million, representing an increase of approximately RMB225 million or approximately 18% as compared with approximately RMB1,285 million in 2018. Gross profit margin for the Year was approximately 82% compared with approximately 75% in 2018.

During the Year, net profit attributable to equity shareholders of the Company was approximately RMB1,331 million, representing an increase of approximately 8% compared with the net profit attributable to equity shareholders of the Company of approximately RMB1,233 million in 2018 (excluding non-recurring profit from the Project Disposal).

Cost control

Selling expenses for the Year were approximately RMB32 million, compared with approximately RMB37 million in 2018. Administrative expenses for the Year were approximately RMB238 million, compared with approximately RMB240 million in 2018.

Finance income and expenses

Finance income for the Year was approximately RMB80 million, representing a decrease of approximately RMB41 million as compared with approximately RMB121 million in 2018.

Finance expenses for the Year were approximately RMB682 million, representing an increase of approximately RMB90 million as compared with approximately RMB592 million in 2018.

Valuation gains on investment properties

During the Year, the valuation gains were approximately RMB1,168 million, compared with approximately RMB1,093 million in 2018.

Income tax expense

Income tax of the Group is composed of the PRC corporate income tax, the land appreciation tax ("LAT") and the deferred tax. PRC corporate income tax for the Year was approximately RMB61 million, compared with approximately RMB343 million in 2018. LAT for the Year was approximately RMB-38 million, compared with approximately RMB-27 million in 2018. Deferred tax for the Year was approximately RMB576 million, compared with approximately RMB693 million in 2018.

Bank borrowings, other borrowings and collaterals

As at 31 December 2019, total borrowings of the Group was approximately RMB17,999 million, of which approximately RMB1,632 million were due within one year, approximately RMB986 million were due after one year but within two years, approximately RMB3,924 million were due after two years but within five years, and approximately RMB11,457 million were due after five years. As at 31 December 2019, borrowings of the Group of approximately RMB17,247 million were collateralized by the Group's investment properties and restricted bank deposits.

As at 31 December 2019, 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% (as at 31 December 2018: approximately 43%).

Risks of foreign exchange fluctuation and interest rate

As at 31 December 2019, offshore borrowings were approximately RMB752 million, accounting for approximately 4.2% of total borrowings of the Group. The Company's average funding cost remained relatively low at approximately 4.8% as at 31 December 2019. During the Year, the Group's operating cash flow and liquidity had not been subject to significant influence from fluctuations in exchange rate.

Contingent liabilities

As at 31 December 2019, the Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans offered to buyers of property units. The total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB112 million as at 31 December 2019 (as at 31 December 2018: approximately RMB252 million).

Capital commitment

As at 31 December 2019, the Group's total capital commitment was approximately RMB106 million (as at 31 December 2018: approximately RMB1,371 million).

Employees and remuneration policy

As at 31 December 2019, the Group had 1,948 employees, including 200 employees for Commune by the Great Wall and 1,512 employees for the property management company.

The remuneration package of the Group's employees mainly includes basic salary and bonuses. Bonuses are determined on a monthly basis based on performance reviews.

Directors' Report

PRINCIPAL ACTIVITIES

The principal activities of the Group are real estate development, property leasing and property management. 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 2019 are set out in the audited consolidated financial statements.

The Board resolved not to declare a final dividend for the Year (2018: RMB0.03 per share).

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:

	2019	2018	2017	2016	2015
Unit: RMB'000					
Revenue	**1,847,091**	1,720,860	1,962,610	1,577,215	995,165
Profit before income tax	**1,919,195**	2,957,422	8,325,644	1,999,350	1,407,468
Income tax expense	**(599,169)**	(1,008,774)	(3,534,103)	(1,090,610)	(843,996)
Profit for the year	**1,320,026**	1,948,648	4,791,541	908,740	563,472
Attributable to:					
Owners of the Company	**1,331,193**	1,924,966	4,733,481	910,232	537,632
Non-controlling interests	**(11,167)**	23,682	58,060	(1,492)	25,840
Basic earnings per share (RMB)	**0.26**	0.37	0.91	0.18	0.10
Diluted earnings per share (RMB)	**0.26**	0.37	0.91	0.18	0.10
Interim dividend per share (RMB)	**–**	–	–	–	–
Final dividend per share (RMB)	**–**	0.03	–	–	–
Special dividend per share (RMB)	**–**	–	0.922	0.536	0.696

Consolidated statement of financial position as at 31 December:

	2019	2018	2017	2016	2015
Unit: RMB'000					
Non-current assets	**64,346,629**	61,027,478	59,015,582	58,263,115	57,714,069
Current assets	**5,382,387**	9,071,567	12,201,960	9,142,730	14,118,003
Current liabilities	**6,847,605**	8,994,514	12,011,751	12,813,107	12,007,112
Non-current liabilities	**25,765,272**	25,311,094	25,478,494	18,945,061	22,102,432
Net assets	**37,116,139**	35,793,437	33,727,297	35,647,677	37,722,528
Share capital	**106,112**	106,112	106,112	106,112	106,112
Other reserves	**35,964,422**	34,640,698	32,598,240	34,432,900	36,493,759
Total equity attributable to owners of the Company	**36,070,534**	34,746,810	32,704,352	34,539,012	36,599,871
Non-controlling interests	**1,045,605**	1,046,627	1,022,945	1,108,665	1,122,657
Total equity	**37,116,139**	35,793,437	33,727,297	35,647,677	37,722,528

SHARE CAPITAL

As at 31 December 2019, the Company had 5,199,524,031 shares in issue (as at 31 December 2018: 5,199,524,031 shares).

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 Articles of Association and there are no restrictions against such rights under the laws of the Cayman Islands.

DIRECTORS

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

Executive Directors

Mr. Pan Shiyi *(Chairman)*
Mrs. Pan Zhang Xin Marita *(Chief Executive Officer)*

Independent non-executive Directors ("INEDs")

Mr. Sun Qiang Chang
Mr. Xiong Ming Hua
Mr. Huang Jingsheng

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 2018, 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.

In accordance with Article 87(1) of the Articles of Association, Mr. Pan Shiyi and Mr. Xiong Ming Hua shall retire by rotation at the annual general meeting of the Company ("AGM"), and being eligible, have offered themselves 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.

DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES

Mr. Sun Qiang Chang has been appointed as a non-executive director of Phoenix Media Investment (Holdings) Limited with effect from 16 August 2019 and resigned as a non-executive director of Duiba Group Limited with effect from 4 December 2019.

Mr. Huang Jingsheng resigned as an independent non-executive director of Besunyen Holdings Company Limited with effect from 1 June 2019.

Save as mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51B(1) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Executive Directors

Mr. Pan Shiyi

Chairman of the Board

Mr. Pan Shiyi ("**Mr. Pan**"), aged 57, 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 ("Ms. Zhang"), the development of all of the Company's projects, and developed the Company into one of the largest Grade A office developers in Beijing and Shanghai, with total development areas exceeding 5 million square meters. The avant garde architectures built in collaboration with internationally acclaimed architects have transformed the skyline of cities in China.

Mr. Pan is a highly followed opinion leader with over 20 million fans on Weibo. His public influence extends beyond the sphere of property development and urbanization. He is deeply committed to environmental causes and has been instrumental to raising public awareness of air pollution in China through social media. In 2015, Mr. Pan and Ms. Zhang joined the Breakthrough Energy Coalition led by Bill Gates. Mr. Pan is a Senior Fellow at the Harvard Kennedy School and a member of the Special Olympics Senior Advisors Committee for the East Asia region.

In 2005, Mr. Pan and Ms. Zhang set up a charity organization, SOHO China Foundation, to support underprivileged families through various education initiatives. In 2014, SOHO China Foundation launched the SOHO China Scholarships Program, a USD100 million initiative offering financial aid for Chinese students at leading international universities. SOHO China Foundation have been signed agreements with Harvard and Yale University, supporting Chinese students pursuing undergraduate degrees at both universities.

Mr. Pan was elected as "Real Estate Person of the Year" by sina.com, "China Real Estate Leader of the Year on Weibo" by sina.com, Ernst & Young Entrepreneur of the Year China, one of the "Top Ten Influential Figures in Real Estate Industry" by sina.com for multiple times. In 2005, he was elected as one of the "25 most influential business leaders" in China by Fortune (China) Magazine. In 2013, Mr. Pan was awarded the "Jury's special" of the 5th SEE-TNC Ecology Award and selected as "The Most Social Responsible Person in Real Estate" by Tencent.com for his outstanding contribution in environmental protection and philanthropy. In 2014, Mr. Pan was selected as one of the "Philanthropic Faces of the Year" by People magazine. 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 54, 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. 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 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. SOHO China Foundation have signed agreements with Harvard University and Yale University, supporting Chinese students pursuing undergraduate degrees.

Recognized for their commitment to sustainability, Ms. Zhang and her husband Mr. Pan 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 ("**Mr. Sun**"), aged 63, 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 28 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 of 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 board member of The China Entrepreneur Club. Mr. Sun serves as a non-executive director of Phoenix Media Investment (Holdings) Limited, which is listed on the main board of the Stock Exchange. He served as a non-executive director of Duiba Group Limited, which is listed on the main board of the Stock Exchange, from May 2018 to December 2019.

Mr. Xiong Ming Hua

Mr. Xiong Ming Hua ("**Mr. Xiong**"), aged 55, 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 ("**Mr. Huang**"), aged 62, is an independent non-executive Director. Mr. Huang is the Managing Executive Director at Harvard Center Shanghai ("Harvard"). He came to Harvard with a distinguished venture capital and private equity career background. Most recently, Mr. Huang was the Partner of TPG Growth and RMB Funds, based in Shanghai, China. Prior to that, he was Managing Director at Bain Capital LLC, where he set up and ran its Shanghai operations. His other investment positions included Managing Director of China at SOFTBANK Asia Infrastructure Fund, 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, Cofounder/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 and Deputy Chairman of Shanghai Private Equity Association. 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 served as an independent non-executive director of Besunyen Holdings Company Limited, which is listed on the main board of the Stock Exchange, from May 2010 to June 2019. Mr. Huang serves as an independent director and non-executive director of Yiren Digital Limited, which is listed on the New York Stock Exchange.

Senior Management

Ms. Ni Kuiyang

Chief Financial Officer

Ms. Ni Kuiyang, aged 42, 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 48, 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 20 years of relevant experience in the real estate development industry in China.

Mr. Xu Qiang

Vice President

Mr. Xu Qiang, aged 48, 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. During his 20 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 43, 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 leasing department and Vice President. Mr. Qian received his Bachelor's Degree in Trade and Economy from Renmin University of China in 2000. Mr. Qian has 20 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 is an associate director of Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field and is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as 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 2019 (the "2019 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 2019 are set out as follows:

Name	Fees	Salary	Discretionary bonuses	Housing Allowance	Estimated money value of benefit	Employer's contribution to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Pan Shiyi *(Chairman)*	240	3,305	–	38	269	90	3,942
Pan Zhang Xin Marita *(Chief Executive Officer)*	240	2,528	–	–	83	–	2,851
Independent non-executive Directors							
Huang Jing Sheng	295	–	–	–	–	–	295
Xiong Ming Hua	295	–	–	–	–	–	295
Sun Qiang Chang	295	–	–	–	–	–	295
Total	1,365	5,833	–	38	352	90	7,678

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 2019 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0 – 1,000,000	0
1,000,000 – 2,000,000	1
2,000,000 – 3,000,000	2
3,000,000 – 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 2019, 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 ("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 Little Brothers Settlement (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 2019, 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.

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

As at 31 December 2019, 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 2019, 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 2019.

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

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, as at 31 December 2019, 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 section headed "Employees' Share Award 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 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 (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 purchased on the Stock Exchange a total of 97,000 shares of the Company at a total consideration of approximately HKD253,955 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. During the Year, no shares (2018: Nil) was granted to employees of the Group.

EQUITY-LINKED AGREEMENTS

Other than the Employees' Share Award Scheme 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 2019, 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 7%.

For the year ended 31 December 2019, the percentage of purchases by the Group for the Year attributable to the Group's five largest suppliers amounted to approximately 16%, 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 Directors' Report and the ESG report on pages 13 to 35 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 3 of this annual report. Also, the financial risk management policies of the Group can be found in Note 3 to the audited consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the section headed "Group Financial Summary" on page 40 of this annual report. In addition, relationships with its key stakeholders are provided in the Directors' Report on page 38 and page 53 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 56 to 70 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, the Company had not repurchased any shares on the Stock Exchange. During the Year, the trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 97,000 shares of the Company at a total consideration of approximately HKD253,955 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

EVENT AFTER THE REPORTING PERIOD

On 11 March 2020, the Company announced that it has been in discussions with overseas financial investors to explore the possibility of a strategic partnership, which may or may not lead to a general offer for the issued share capital of the Company. Please refer to the Company's announcement dated 11 March 2020 for further information.

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 the auditor 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
25 March 2020

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 2019, 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 AGM 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 AND GENERAL MEETINGS

The Company held four Board meetings and the 2019 AGM during the Year. Directors' attendance records at Board meetings and the 2019 AGM are set out below:

Directors	Attendance/ No. of Board Meetings	2019 AGM
Executive Directors		
Pan Shiyi	4/4	–
Pan Zhang Xin Marita	4/4	–
Independent non-executive Directors		
Sun Qiang Chang	4/4	–
Xiong Ming Hua	4/4	–
Huang Jingsheng	4/4	–

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 2019, 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
Xiong Ming Hua	2/2
Huang Jingsheng	2/2

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 2019 and the audited consolidated annual results of the Company for the year ended 31 December 2019 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 2019, and recommended the Board to re-appoint PwC as the auditors of the Company for the year 2020, 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
Huang Jingsheng *(Chairman)*	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 2019 are set out in the section headed "Directors' Remuneration" of the Directors' Report and Note 32 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 Nomination 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 AGM of the Company.

During the Year, one meeting was 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
Xiong Ming Hua	1/1
Huang Jingsheng	1/1

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 2019, 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.

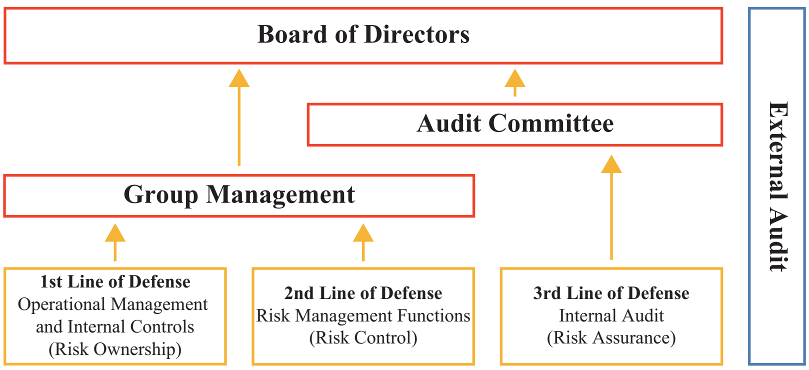
RISK MANAGEMENT AND INTERNAL CONTROL

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.

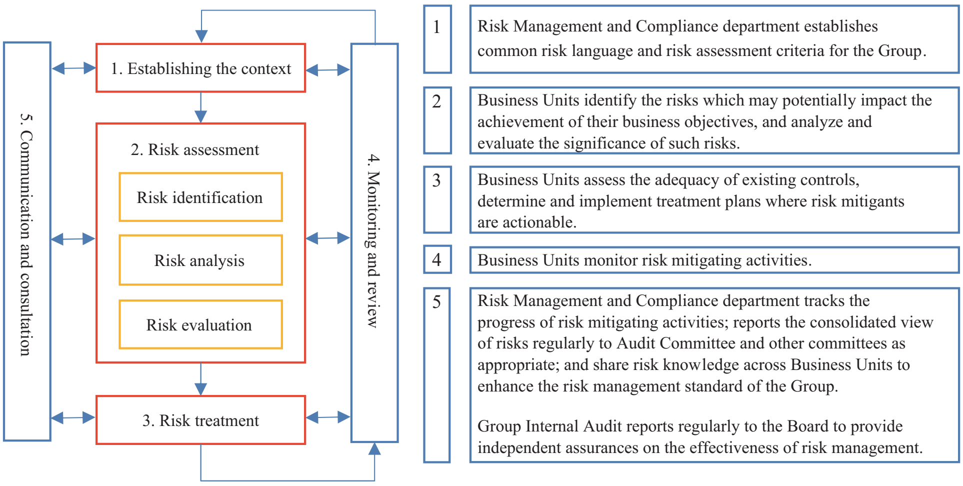
The Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material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



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 2019, 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 2019, 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 2019, remunerations paid and payable by the Group to its auditors for the provision of statutory audit services and non-auditing services amounted to RMB4.1 million. The non-auditing services mainly represented review of interim financial information 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 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 participates in global investment conferences.

COMPANY SECRETARY

The Company engaged Ms. Wong Sau Ping, an associated director of the Listing Services Department of TMF Hong Kong Limited, as its Company Secretary during the Year. Her primary corporate contact person at the Company is Ms. Ni Kuiyang, the Chief Financial Officer of the Company. In compliance with Rule 3.29 of the Listing Rules, 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, Mr. Sun Qiang Chang, 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)*
Independent non-executive Directors	Sun Qiang Chang Xiong Ming Hua Huang Jingsheng
Company Secretary	Wong Sau Ping
Members of the Audit Committee	Sun Qiang Chang *(Chairman)* Xiong Ming Hua Huang Jingsheng
Members of the Remuneration Committee	Huang Jingsheng *(Chairman)* Sun Qiang Chang Xiong Ming Hua
Members of the Nomination Committee	Pan Shiyi *(Chairman)* Huang Jingsheng Xiong Ming Hua
Authorized Representatives	Pan Zhang Xin Marita Wong Sau Ping
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 the 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 78 to 152, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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.

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 13 to the consolidated financial statements.	
The Group's investment properties were measured at fair value and carried at RMB61,833 million as at 31 December 2019 with a revaluation gain of RMB1,168 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 right-of-use assets. • 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.	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 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
• Right-of-use assets: the valuation of these was derived from income capitalization approach, and the relevant key assumptions for the approach included capitalization rate and rental 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.	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 THE 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.

The Audit Committee is 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 the 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 the 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 the 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, 25 March 2020

Consolidated Income Statement

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	*5*	**1,847,091**	1,720,860
Cost of sales	*6*	**(336,650)**	(435,497)
Gross profit		**1,510,441**	1,285,363
Valuation gains on investment properties	*13*	**1,168,488**	1,092,853
Other gains – net	*8*	**56,340**	987,816
Other income	*9*	**425,364**	644,932
Selling expenses	*6*	**(31,751)**	(37,472)
Administrative expenses	*6*	**(237,747)**	(240,069)
Other operating expenses	*6*	**(369,572)**	(305,315)
Operating profit		**2,521,563**	3,428,108
Finance income	*10*	**80,032**	121,276
Finance expenses	*10*	**(682,400)**	(591,962)
Profit before income tax		**1,919,195**	2,957,422
Income tax expense	*11*	**(599,169)**	(1,008,774)
Profit for the year		**1,320,026**	1,948,648
Profit attributable to:			
– Owners of the Company		**1,331,193**	1,924,966
– Non-controlling interests		**(11,167)**	23,682
Profit for the year		**1,320,026**	1,948,648
Earnings per share (RMB per share)			
Basic earnings per share	*12*	**0.26**	0.37
Diluted earnings per share	*12*	**0.26**	0.37

The notes on pages 85 to 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**1,320,026**	1,948,648
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**47,783**	114,086
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	**745**	(209)
Surplus on revaluation of office premises, net of tax	**101,452**	–
Other comprehensive income for the year, net of tax	**149,980**	113,877
Total comprehensive income for the year	**1,470,006**	2,062,525
Total comprehensive income attributable to:		
– Owners of the Company	**1,471,028**	2,038,843
– Non-controlling interests	**(1,022)**	23,682
Total comprehensive income for the year	**1,470,006**	2,062,525

The notes on pages 85 to 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Investment properties	*13*	**61,833,246**	58,338,000
Property and equipment	*14*	**1,306,505**	1,404,440
Intangible assets		**2,491**	4,067
Deferred income tax assets	*17*	**637,035**	603,951
Trade and other receivables	*20*	**365,900**	361,661
Deposits and prepayments	*19*	**169,133**	169,133
Bank deposits	*21*	**–**	130,051
Financial assets at fair value through other comprehensive income		**32,319**	16,175
Total non-current assets		**64,346,629**	61,027,478
Current assets			
Completed properties held for sale	*18*	**2,224,075**	2,728,240
Deposits and prepayments	*19*	**203,998**	365,671
Trade and other receivables	*20*	**454,803**	411,500
Bank deposits and structured bank deposits	*21*	**1,223,048**	4,844,232
Cash and cash equivalents	*22*	**1,206,837**	721,924
Assets classified as held for sale		**69,626**	–
Total current assets		**5,382,387**	9,071,567
Total assets		**69,729,016**	70,099,045
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*27*	**106,112**	106,112
Other reserves	*27*	**35,964,422**	34,640,698
		36,070,534	34,746,810
Non-controlling interests		**1,045,605**	1,046,627
Total equity		**37,116,139**	35,793,437

The notes on pages 85 to 152 are an integral part of these consolidated financial statements.

	Notes	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	*23*	**16,366,214**	16,730,195
Lease liabilities	*13*	**227,167**	–
Contract retention payables		**467,154**	518,644
Deferred income tax liabilities	*17*	**8,704,737**	8,062,255
Total non-current liabilities		**25,765,272**	25,311,094
Current liabilities			
Bank and other borrowings	*23*	**1,632,440**	964,189
Corporate bonds	*26*	**–**	2,999,632
Lease liabilities	*13*	**30,980**	–
Receipts in advance from customers and rental deposits	*24*	**72,082**	98,528
Contract liabilities	*24*	**241,112**	108,729
Trade and other payables	*25*	**3,138,383**	2,972,596
Current income tax liabilities		**1,732,608**	1,850,840
Total current liabilities		**6,847,605**	8,994,514
Total liabilities		**32,612,877**	34,305,608
Total equity and liabilities		**69,729,016**	70,099,045

The notes on pages 85 to 152 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 25 March 2020 and were signed on its behalf

Pan Shiyi	Pan Zhang Xin Marita
Name of Director	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 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
	27	*(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	*28(b)*	–	–	–	–	3,615	–	–	–	–	3,615	–	3,615
Vesting of shares under employees' share award scheme	*28(b)*	–	116	3,557	–	(3,673)	–	–	–	–	–	–	–
Transfer to general reserve fund	*27(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

		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 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
	27	*(b)*	*(c)*			*(c)*	*(c)*	*(c)*	*(c)*				
Balance at 1 January 2019		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
Profit for the year		–	–	–	–	–	–	–	–	1,331,193	1,331,193	(11,167)	1,320,026
Other comprehensive income		–	–	–	–	745	47,783	91,307	–	–	139,835	10,145	149,980
Total comprehensive income		–	–	–	–	745	47,783	91,307	–	1,331,193	1,471,028	(1,022)	1,470,006
Treasury shares		–	–	(223)	–	–	–	–	–	–	(223)	–	(223)
Dividends approved in respect of the previous year		–	–	–	–	–	–	–	–	(155,772)	(155,772)	–	(155,772)
Employees' share award scheme	*28(b)*	–	–	–	–	8,691	–	–	–	–	8,691	–	8,691
Vesting of shares under employees' share award scheme	*28(b)*	–	(15,811)	19,510	–	(3,699)	–	–	–	–	–	–	–
Transfer to general reserve fund	*27(c)(v)*	–	–	–	–	–	–	–	1,207	(1,207)	–	–	–
Balance at 31 December 2019		106,112	1,596	(11,739)	9,661	51,620	(1,638,116)	280,834	646,730	36,623,836	36,070,534	1,045,605	37,116,139

The notes on pages 85 to 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before taxation	**1,919,195**	2,957,422
Adjustments for:		
Valuation gains on investment properties	**(1,168,488)**	(1,092,853)
Depreciation and amortization	**247,211**	96,726
Finance income	**(80,032)**	(121,276)
Interest expense	**726,382**	593,031
Net foreign exchange gains	**(45,079)**	(1,871)
Gains on disposal of subsidiaries	**(57,459)**	(987,606)
Losses/(gains) on disposal of investment properties	**1,119**	(210)
Losses from disposal of property and equipment	**306**	1,342
Equity-settled share-based payment expense	**8,691**	3,615
Gains on early termination of lease agreement	**(15,074)**	–
Changes in working capital:		
Decrease/(increase) in deposits and prepayments	**26,826**	(74,383)
Increase in trade and other receivables	**(45,603)**	(17,721)
Increase in completed properties held for sale	**–**	(6,826)
Increase/(decrease) in receipts in advance from customers and rental deposits and contract liabilities	**105,937**	(32,694)
Increase in trade and other payables	**108,089**	65,842
Cash generated from operations	**1,732,021**	1,382,538
Interest received	**78,093**	109,851
Interest paid	**(1,035,522)**	(918,704)
Income tax paid	**(114,974)**	(211,514)
Net cash generated from operating activities	**659,618**	362,171

The notes on pages 85 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cash flows from investing activities		
Payment for development costs and purchase of investment properties	**(1,005,312)**	(824,035)
Purchase of property and equipment	**(47,250)**	(163,272)
Proceeds from disposal of investment properties	**13,724**	17,048
Decrease in bank deposits	**202,695**	150,567
Decrease/(increase) in structured bank deposits	**1,538,540**	(2,500,490)
Proceeds from disposal of subsidiaries, net	**39,214**	2,579,943
Income tax paid on disposal of subsidiaries	**–**	(295,394)
Purchase of intangible assets	**(260)**	(922)
Proceeds from disposal of property and equipment	**956**	335
Purchase of financial assets at fair value through other comprehensive income	**(15,399)**	(16,384)
Net cash generated from/(used in) investing activities	**726,908**	(1,052,604)
Cash flows from financing activities		
Proceeds from bank borrowings	**1,583,437**	653,132
Proceeds from other borrowings	**–**	3,500,000
Repayment of bank and other borrowings	**(1,286,034)**	(4,472,047)
Decrease/(increase) in restricted bank deposits	**2,010,000**	(2,010,000)
Purchase of treasury shares for employees' share award scheme	**(223)**	–
Dividends paid to equity shareholders of the Company	**(155,772)**	–
Repayment of corporate bonds	**(3,000,000)**	–
Principal elements of lease payments	**(64,835)**	–
Net cash used in financing activities	**(913,427)**	(2,328,915)
Net increase/(decrease) in cash and cash equivalents	**473,099**	(3,019,348)
Cash and cash equivalents at beginning of the year	**721,924**	3,701,791
Exchange gains on cash and cash equivalents	**11,814**	39,481
Cash and cash equivalents at the end of the year	**1,206,837**	721,924

The notes on pages 85 to 152 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, property leasing and property management. 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 consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements were approved for issue by the board (the "Board") of directors (the "Director(s)") on 25 March 2020.

2 Summary of 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(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with HKFRSs and requirements of Hong Kong Companies Ordinance Cap. 622 and have been prepared on the going concern basis after the Directors having taken into account the Group having adequate financial resources including unutilized banking facilities available as at 31 December 2019.

2 Summary of significant accounting policies (continued)

2(b) Basis of preparation of the financial statements (continued)

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 consolidated financial statements is the historical cost basis except that the following assets and liabilities are measured at their fair value as explained in the accounting policies set out below:

– Investment properties (see Note 2(h)),

– Office premises (see Note 2(g)),

– Financial assets at fair value through other comprehensive income (see Note 2(l)), and

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

(i) New and amended standards 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 2019:

- HKFRS 16 Leases ("HKFRS 16"),
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9,
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28,
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle,
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19, and
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2(c). Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies (continued)

2(b) Basis of preparation of the financial statements (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in note 2(x).

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.6%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application, and

2 Summary of significant accounting policies (continued)

2(c) Changes in accounting policies (continued)

(i) Practical expedients applied (continued)

- using of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 Leases and HK (IFRIC) 4 Determining Whether an Arrangement Contains a Lease.

(ii) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,447,771
Discounted using the lessee's incremental borrowing rate as at the date of initial application	910,190
Lease liability recognized as at 1 January 2019	**910,190**
Of which are:	
Current lease liabilities	72,020
Non-current lease liabilities	838,170

(iii) Measurement of right-of-use assets

The right-of-use assets meet the definition of investment properties and are measured at fair value.

(iv) Adjustments recognized in the consolidated statement of financial position on 1 January 2019

The aforesaid change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increased by RMB882,953,000
- trade and other payables – decreased by RMB27,237,000
- lease liabilities – increased by RMB910,190,000

There is no impact on retained earnings on 1 January 2019.

2 Summary of significant accounting policies (continued)

2(d) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (continued)

2(e) 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(f) 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 statement of financial position date. Exchange gains and losses are recognized 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. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the statement of financial position date. The resulting exchange differences are recognized 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 recognized.

2 Summary of significant accounting policies (continued)

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 statement of financial position date.

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.

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, 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. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased equipment, the shorter lease term as follows:

– Buildings	40 years
– Leasehold improvements	Shorter of 10 years or the lease periods
– Office equipment	5 years
– Motor vehicles	8 years

2 Summary of significant accounting policies (continued)

2(g) Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (see Note 2(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2(h) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is 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 or discounted cash flow projections. 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.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

2 Summary of significant accounting policies (continued)

2(h) Investment properties (continued)

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.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

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 properties under development and completed properties held for sale to investment property.

(b) Commencement of development with a view to sale, for a transfer from investment property to properties under development and completed properties held for sale.

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 derecognized (eliminated from the consolidated statement of financial position) and does not treat it as properties under development and completed properties held for sale. 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(i) Intangible assets

Computer software

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

2 Summary of significant accounting policies (continued)

2(j) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2(k) Non-current assets held-for-sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets, investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

2 Summary of significant accounting policies (continued)

2(l) Investments and other financial assets

(i) Classification

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 amortized cost.

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

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 recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized 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 Summary of significant accounting policies (continued)

2(l) 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:

- Amortized 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 amortized 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 recognized 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 income statement.

- 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 recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 income statement. As at 31 December 2019, no such debt instruments existed within the Group.

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

2 Summary of significant accounting policies (continued)

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

(iii) Measurement (continued)

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 recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the income statement 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 amortized 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 Financial Instruments ("HKFRS 9"), which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize 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 Summary of significant accounting policies (continued)

2(n) 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 realizable value. Cost and net realizable 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 capitalized (see Note 2(s)). Net realizable 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 realizable 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(o) 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 all classified as current assets.

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

2(p) 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 Summary of significant accounting policies (continued)

2(q) Trade and other payables

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

2(r) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less transaction cost incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized 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(s) 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 capitalized 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 capitalization.

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

2(t) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2 Summary of significant accounting policies (continued)

2(t) Income tax (continued)

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

2 Summary of significant accounting policies (continued)

2(u) 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 recognized 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.

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 recognized 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 recognized 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 recognized 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 recognized in relation to such shares are reversed at the date of the forfeiture.

2 Summary of significant accounting policies (continued)

2(v) 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 recognized as part of the cost of the investment in the financial statements of the Company.

(ii) Other provisions and contingent liabilities

Provisions are recognized 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 recognized 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 recognized 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 recognized 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 Summary of significant accounting policies (continued)

2(w) 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.

(i) Sale of properties

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

For property development and sales contracts for which the control of the property is transferred at a point in time is recognized 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 recognized 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 recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable rental income is recognized as income in the accounting period in which they are earned.

2 Summary of significant accounting policies (continued)

2(w) Revenue recognition (continued)

(iii) Rendering of services

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

(iv) Dividend

Dividend income from investments is recognized 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).

2(x) Lease

As explained in Note 2(c) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2(c).

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options by the Group are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 Summary of significant accounting policies (continued)

2(x) Lease (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are initially measured at cost comprising the following and are measured at the fair value subsequently:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2(y) Government grants

Government grants are recognized at fair value in the consolidated statement of financial position 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 recognized as other revenue and income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2(z) 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(aa) 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 recognized in profit or loss. The consideration paid or received for the purchase or sale of the Group's own equity instruments are recognized directly in equity.

2 Summary of significant accounting policies (continued)

2(ab) 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.

2(ac) 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.

2 Summary of significant accounting policies (continued)

2(ac) Related parties (continued)

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

3 Financial risk management

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 minimize 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.

3.1 Financial risk factor

(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 exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the relevant Group entity's functional currency. 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 monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

3 Financial risk management (continued)

3.1 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:

	2019 RMB'000	2018 RMB'000
RMB		
– Cash and cash equivalents	**2,007**	1,761
– Amounts due from subsidiaries	**739,969**	726,574
– Amounts due to subsidiaries	**(702,510)**	(695,051)

As at 31 December 2019, 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 RMB1,973,000 lower/higher (2018: RMB1,664,000 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 23. 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 2019, 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 capitalization, would decrease/increase by approximately RMB102,796,000 (2018: RMB98,423,000).

3 Financial risk management (continued)

3.1 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 finally settle the selling consideration.

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

- trade receivables

- other receivables

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 2019, the management does not expect any significant losses after taking into consideration of expected credit loss.

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 RMB32,028,000 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.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

As at 31 December 2019 and 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.

Expected loss rate	Current	Less than 1 month past due	1 to 6 months past due	6 months to 1 year past due	More than 1 year past due
31 December 2019	0.10%	0.50%	1%	5%	10%
31 December 2018	0.10%	0.50%	1%	5%	10%

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

Other financial assets at amortized cost include other receivables. The loss allowance for other financial assets at amortized cost as at 31 December 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 recognized was therefore limited to 12 months expected losses.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. 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 RMB27,883,000 which was individually determined to be impaired and full allowance made in previous years, the loss allowance recognized 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.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

As at 31 December 2019 and 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.

Expected credit loss rate	Deposits for services procurement	Receivables from third parties other than government related bodies	Others
31 December 2019	0.10%	0.50%	0.50%
31 December 2018	0.10%	0.50%	0.50%

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 written off RMB126,000 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 statement of financial position ratio targets.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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 2019					
Bank and other borrowings	**2,442,751**	**1,745,806**	**5,842,687**	**13,785,056**	**23,816,300**
Contract retention payables	**–**	**176,818**	**236,403**	**53,933**	**467,154**
Trade and other payables excluding non-financial liabilities	**3,048,035**	**–**	**–**	**–**	**3,048,035**
Lease liabilities	**41,978**	**41,302**	**124,971**	**96,062**	**304,313**
Guarantees	**111,971**	**–**	**–**	**–**	**111,971**
	5,644,735	**1,963,926**	**6,204,061**	**13,935,051**	**27,747,773**
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

3 Financial risk management (continued)

3.2 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 RMB17,998,654,000 as disclosed in Note 23 and Note 26. As at 31 December 2019, the ratio was 25.81% (2018: 29.52%).

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.

3.3 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 2019 and 2018.

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 statement of financial position date. Where other pricing models are used, inputs are based on market related data at the statement of financial position date.

The table below analyzes financial instruments 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).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019 and 2018. See Note 13 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 2019				
Investment properties	**–**	**–**	**61,833,246**	**61,833,246**
Property and equipment				
– office premises	**–**	**–**	**456,630**	**456,630**
FVPL				
– structured bank deposits	**241,950**	**720,000**	**–**	**961,950**
FVOCI				
– equity investment in a private fund	**–**	**–**	**32,319**	**32,319**
Total assets	**241,950**	**720,000**	**62,322,195**	**63,284,145**
Assets				
At 31 December 2018				
Investment properties	–	–	58,338,000	58,338,000
Property and equipment				
– office premises	–	–	288,984	288,984
FVPL				
– structured bank deposits	1,970,490	530,000	–	2,500,490
FVOCI				
– equity investment in a private fund	–	–	16,175	16,175
Total assets	1,970,490	530,000	58,643,159	61,143,649

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

The Group's policy is to recognize 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.

4 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 13(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 13(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 real estate development, property leasing and property management 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 recognizes 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 property value, being the proceeds from sales of properties less deductible expenditures including land use rights, qualified borrowing costs, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of property appreciation and its related taxes. The Group recognized 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.

5 Segment information

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

Before the transition of the Group business model from "Build-to-Sell" to "Build-to-Hold", the CODM allocated resources and assessed performance of two operating segment, being properties development segment and properties investment segment. Upon completion of the aforesaid business model transition to "Build-to-Hold", the Group focus on properties investment in prime locations in the PRC. During this year, the CODM decided to reviews the operating results of properties investment business but does not review the operating results of properties development business which is not allocated resources either as one operating segment. Therefore, the CODM of the Company reassesses the identification of operating segment and regards that properties investment segment is the only one operating segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC, all of the Group's revenue were derived in the PRC during the year. As at 31 December 2019 and 2018, over 95% of the Group's non-current assets were located in the PRC.

6 Expense by nature

	Note	**2019** **RMB'000**	2018 RMB'000
Property tax and other tax expenses		**265,237**	250,218
Employee benefits expense	*7*	**230,111**	220,291
Utilities and property maintenance expenses		**168,350**	148,461
Leasing expenses		**–**	124,280
Depreciation and amortization		**247,211**	96,726
Office expenses		**43,746**	48,925
Rental commission		**68,587**	48,079
Advertising and marketing expenses		**22,376**	31,714
Auditors' remuneration			
– Audit services		**3,200**	3,950
– Non-audit services		**903**	772
Costs of properties sold		**(180,571)**	(3,736)
Donations		**35,117**	1,994
Other expenses		**71,453**	46,679
Total cost of sales, selling expenses, administrative expenses and other operating expenses		**975,720**	1,018,353

7 Employee benefit expense

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**209,945**	202,443
Contributions to defined contribution retirement plan	**11,475**	14,233
Equity-settled share-based payment expenses	**8,691**	3,615
	230,111	220,291

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 (2018: two) directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	**8,883**	8,054
Retirement scheme contributions	**155**	166
	9,038	8,220

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in RMB)		
RMB2,000,000 – RMB3,000,000	**2**	2
RMB3,000,000 – RMB4,000,000	**1**	1

During the year ended 31 December 2019 and 2018, 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.

8 Other gains – net

	2019 RMB'000	2018 RMB'000
(Losses)/gains on disposal of investment properties	(1,119)	210
Gains on disposal of subsidiaries	57,459	987,606
	56,340	987,816

9 Other income

	Note	2019 RMB'000	2018 RMB'000
Property management service income on lump sum basis		178,319	167,379
Property management service income on commission basis		38,263	38,739
Hotel operations income		90,492	81,255
Government grants	(i)	13,399	276,293
Gains on early termination of lease agreement		15,074	–
Others		89,817	81,266
		425,364	644,932

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

10 Finance income and finance expenses

	Notes	2019 RMB'000	2018 RMB'000
Finance income			
Interest income		**80,032**	121,276
		80,032	121,276
Finance expenses			
Interest on bank and other borrowings		**892,194**	826,316
Interest expense on lease liabilities	*13(d)(ii)*	**39,083**	–
Interest expense on corporate bonds		**7,886**	108,849
Less: interest expense capitalized into investment properties under development	*(i)*	**(212,781)**	(342,134)
		726,382	593,031
Net foreign exchange gains		**(45,079)**	(1,871)
Bank charges and others		**1,097**	802
		682,400	591,962

(i) The borrowing costs were capitalized at a rate of 4.51% ~ 4.90% per annum (2018: 4.51% ~ 4.90% per annum).

11 Income tax expense

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

	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC corporate income tax	**61,238**	342,896
– PRC land appreciation tax ("LAT")	**(37,649)**	(26,948)
Deferred income tax	**575,580**	692,826
	599,169	1,008,774

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 income tax.

11 Income tax expense (continued)

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

In accordance with the Corporate Income Tax Law of the PRC, the corporate income tax rate applicable to the Company's subsidiaries in the PRC is 25% (2018: 25%).

In accordance with the Provisional Regulations on Land Appreciation Tax of the PRC, LAT is levied at the properties developed and sold in the PRC by the Group. LAT 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 PRC, 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 recognized for the dividends that have been declared, and deferred tax liability is recognized for those to be declared in the foreseeable future.

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

	2019 **RMB'000**	2018 RMB'000
Profit before income tax	**1,919,195**	2,957,422
Income tax computed by applying the tax rate of 25% (2018: 25%)	**479,799**	739,356
Tax losses not recognized	**59,737**	118,731
Reversal of tax losses recognized in prior years	**–**	32,140
Adjustment for income tax annual settlement	**20,042**	17,900
Difference in overseas tax rates	**67,828**	120,858
Effect of higher tax rate for LAT in the PRC	**(28,237)**	(20,211)
Actual tax expense	**599,169**	1,008,774

12 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 RMB1,331,193,000 (2018: RMB1,924,966,000) and the weighted average number of 5,193,023,000 ordinary shares (2018: 5,191,638,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Notes	**2019** **Share'000**	2018 Share'000
Issued ordinary shares at the beginning		**5,199,524**	5,199,524
Effect of treasury shares	*27(b)(ii)*	**(7,165)**	(8,005)
Effect of awarded shares vested	*28(b)*	**664**	119
Weighted average number of ordinary shares during the year		**5,193,023**	5,191,638

(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 RMB1,331,193,000 (2018: RMB1,924,966,000) and the weighted average number of 5,193,023,000 ordinary shares (2018: 5,191,638,000), calculated as follows:

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

	2019 **RMB'000**	2018 RMB'000
Profit attributable to ordinary equity shareholders	**1,331,193**	1,924,966
Profit attributable to ordinary equity shareholders (diluted)	**1,331,193**	1,924,966

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

	2019 **Share'000**	2018 Share'000
Weighted average number of ordinary shares	**5,193,023**	5,191,638
Effect of deemed vesting of the awarded shares	**–**	–
Weighted average number of ordinary shares (diluted)	**5,193,023**	5,191,638

13 Investment properties

	Completed investment properties RMB'000	Investment properties under development RMB'000	Right-of-use assets RMB'000	Total RMB'000
At fair value				
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 changes recognized in profit or loss	680,570	412,283	–	1,092,853
At 31 December 2018	47,023,000	11,315,000	–	58,338,000
At 1 January 2019	**47,023,000**	**11,315,000**	**–**	**58,338,000**
Additions due to adoption of HKFRS 16	**–**	**–**	**882,953**	**882,953**
Additions	**288,171**	**1,789,082**	**–**	**2,077,253**
Disposal of investment properties	**(14,843)**	**–**	**–**	**(14,843)**
Fair value changes recognized in profit or loss	**(212,787)**	**1,460,918**	**(79,643)**	**1,168,488**
Early termination of lease contracts	**–**	**–**	**(548,979)**	**(548,979)**
Transferred from investment properties under development	**14,565,000**	**(14,565,000)**	**–**	**–**
Asset classified as held for sale	**(69,626)**	**–**	**–**	**(69,626)**
At 31 December 2019	**61,578,915**	**–**	**254,331**	**61,833,246**

(a) Valuation basis

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

Description	Fair value measurements at 31 December using significant unobservable inputs (Level 3)	
	2019 RMB'000	2018 RMB'000
Investment properties:		
– Investment properties under construction	**–**	11,315,000
– Completed investment properties located in Beijing	**32,310,915**	25,088,000
– Completed investment properties located in Shanghai	**29,268,000**	21,935,000
– Right-of-use assets	**254,331**	–
	61,833,246	58,338,000

13 Investment properties (continued)

(a) Valuation basis (continued)

Valuation process of the Group

The Group's investment properties were valued at 31 December 2019 and 31 December 2018, by the independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), who holds recognized relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

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;
- analyzes 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.

13 Investment properties (continued)

(b) Valuation basis (continued)

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties located in Beijing	32,310,915	Income capitalization approach and direct comparison method	Capitalization rate	4.6%-7.1%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	4.56-16.6	The higher the rental per square meter, the higher the fair value
			Estimated price (Per square meter)	45,000-146,587	The higher the price per square, the higher the fair value
Completed investment properties located in Shanghai	29,268,000	Income capitalization approach and direct comparison method	Capitalization rate	4.6%-6.0%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	5.4-14.1	The higher the rental per square, the higher the fair value
			Estimated price (Per square meter)	46,000-99,000	The higher the price per square, the higher the fair value
Right-of-use assets	254,331	Income Capitalization approach	Capitalization Rate	5%-5.5%	The higher the capitalization rate, the lower the fair value
			Rental per meter (Per square meter per day)	2.03-10.04	The higher the rental 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 23.

13 Investment properties (continued)

(d) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Investment Properties	**254,332**	882,953
Lease liabilities		
Current	**30,980**	72,020
Non-current	**227,167**	838,170
	258,147	910,190

(ii) Amounts recognized in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Note	2019 RMB'000	2018 RMB'000
Valuation changes on investment properties		**(79,643)**	–
Interest expense	*10*	**(39,083)**	–

The total cash outflow for leases in 2019 was RMB103,918,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases office properties. Rental contracts are typically made for fixed periods of 5 to 10 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

13 Investment properties (continued)

(d) Leases (continued)

(iv) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

14 Property and equipment

	Buildings and leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
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 & 1 January 2019				
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**
Year ended 31 December 2019				
Opening net book amount	**1,384,980**	**17,262**	**2,198**	**1,404,440**
Revaluation surplus	**135,270**	**–**	**–**	**135,270**
Additions	**36,624**	**4,932**	**–**	**41,556**
Disposals and obsolescence	**–**	**(241)**	**(1,021)**	**(1,262)**
Depreciation charge	**(258,811)**	**(14,074)**	**(614)**	**(273,499)**
Closing net book amount	**1,298,063**	**7,879**	**563**	**1,306,505**
At 31 December 2019				
Cost	**1,791,445**	**133,906**	**6,967**	**1,932,318**
Accumulated depreciation	**(493,382)**	**(126,027)**	**(6,404)**	**(625,813)**
Net book amount	**1,298,063**	**7,879**	**563**	**1,306,505**

14 Property and equipment (continued)

(a) Revaluation of office premises

The fair value of office premises is amounting to RMB456,630,000, which is revalued according to the market price of comparable properties which are selected and adjusted for differences in key attributes such as but not limited to locational factor and property size, 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 2019 and 2018, no property and equipment was pledged as collateral for the Group's borrowings.

15 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 of Company	Place of establishment/ incorporation and operation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Attributable equity interest 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%
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	Development of Guanghualu SOHO II	RMB 1,100,000,000	–	100%
Beijing Kaiheng Real Estate Co., Ltd*	Beijing, the PRC	Development of Galaxy & Chaoyangmen SOHO	USD 12,000,000	–	100%

15 Subsidiaries (continued)

Name of Company	Place of establishment/ incorporation and operation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Indirect
Beijing Suo Tu Century 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	Development of Qianmen Avenue project	RMB 50,000,000	–	100%
SOHO Exchange Limited	Cayman Islands	Development of Exchange-SOHO	USD1,000	–	100%
Beijing Wangjing SOHO Real Estate Co., Ltd*	Beijing, the PRC	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	Development of SOHO Leeza	RMB 1,750,000,000	–	100%
Shanghai Ding Ding Real Development Co., Ltd. *	Shanghai, the PRC	Development of Bund SOHO	USD 135,000,000	–	61.506%
Shanghai Hong Tu Investment Management Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB 5,000,000	–	100%
Shanghai Hong Suo Investment Management Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB 5,000,000	–	100%
Shanghai Changyin Investment Management Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB 100,000	–	100%
Shanghai Changmai Investment Management Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB 100,000	–	100%

15 Subsidiaries (continued)

Name of Company	Place of establishment/ incorporation and operation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Indirect
Shanghai Hong Sheng Real Estate Development Co., Ltd.***	Shanghai, the PRC	Development of SOHO Fuxing Plaza	RMB 955,000,000	–	100%
Shanghai Greentown Plaza Development Co., Ltd.***	Shanghai, the PRC	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	Development of Gubei SOHO	RMB 3,190,000,000	–	100%

* *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 RMB1,045,605,000 (2018:RMB1,046,627,000) which is 2.8% to the total equity of the Group.

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

16 Financial instruments by category

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets as per consolidated statement of financial position		
At amortized cost		
Trade and other receivables excluding prepayments	**820,703**	773,161
Bank deposits	**261,099**	2,473,793
Cash and cash equivalents	**1,206,837**	721,924
Financial assets at fair value through profit or loss		
Structured bank deposits	**961,950**	2,500,490
Financial assets at fair value through other comprehensive income	**32,319**	16,175
	3,282,908	6,485,543

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial liabilities as per consolidated statement of financial position		
At amortized cost		
Corporate bonds	**–**	2,999,632
Bank and other borrowings	**17,998,654**	17,694,384
Trade and other payables excluding tax payables	**3,048,035**	2,906,834
Lease liabilities	**258,147**	–
Contract retention payables	**467,154**	518,644
	21,771,990	24,119,494

17 Deferred income tax

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**253,808**	596,631
– to be recovered within 12 months	**383,227**	7,320
	637,035	603,951
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(8,704,737)**	(8,062,255)
	(8,704,737)	(8,062,255)
Deferred income tax liabilities, net	**(8,067,702)**	(7,458,304)

(b) The movement in deferred income tax assets and liabilities during the years ended 31 December 2019 and 31 December 2018, 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 2018		156,206	524,206	(7,382,714)	(63,176)	(6,765,478)
Charged to income statement	*11(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)
At 1 January 2019		**88,887**	**515,064**	**(7,999,079)**	**(63,176)**	**(7,458,304)**
Charged to income statement	*11(a)*	**98,985**	**(65,901)**	**(608,664)**	**–**	**(575,580)**
(Charged) to other comprehensive income		**–**	**–**	**–**	**(33,818)**	**(33,818)**
At 31 December 2019		**187,872**	**449,163**	**(8,607,743)**	**(96,994)**	**(8,067,702)**

17 Deferred income tax (continued)

Deferred income tax assets are recognized 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 RMB340,614,000 (2018: RMB301,120,000) in respect of losses amounting to RMB1,362,456,000 (2018: RMB1,204,480,000) that can be carried forward against future taxable income. As at 31 December 2019, RMB255,716,000, RMB97,011,000, RMB295,856,000, RMB474,923,000 and RMB238,950,000 of these tax losses will expire in 2020, 2021, 2022, 2023 and 2024 respectively.

As at 31 December 2019, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to RMB41,860,447,000 (2018: RMB40,477,615,000). Deferred tax liabilities of RMB4,186,044,700 (2018: RMB4,047,762,000) have not been recognized 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.

18 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 recognized during the year of 2019 and 2018.

19 Deposits and prepayments

Deposits and prepayments mainly represented amounts prepaid for acquisition of properties, construction fees and taxation expenses.

20 Trade and other receivables

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Trade receivables		**222,812**	148,178
Less: allowance for impairment of trade receivables	*(b)*	**(32,028)**	(32,001)
Trade receivables – net	*(a)*	**190,784**	116,177
Other receivables		**657,802**	685,127
Less: allowance for impairment of other receivables		**(27,883)**	(28,143)
Other receivables – net		**629,919**	656,984
Less: non-current portion		**(365,900)**	(361,661)
Current portion		**454,803**	411,500

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2019 and 2018.

(a) Aging analysis

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

	As at 31 December 2019 RMB'000	2018 RMB'000
Current	**150,107**	75,294
Less than 1 month past due	**19,589**	12,412
1 to 6 months past due	**18,649**	17,926
6 months to 1 year past due	**–**	234
More than 1 year past due	**2,439**	10,311
Amounts past due	**40,677**	40,883
	190,784	116,177

The Group's credit policy is set out in Note 3.1(b).

(b) Impairment of trade 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 3.1(b) for details about the Group's exposure to credit risk.

21 Bank deposits and structured bank deposits

(a) Bank deposits

		As at 31 December	
	Notes	**2019** **RMB'000**	2018 RMB'000
Restricted bank deposits	*(i)*	**–**	2,010,000
Guarantees for bank and other borrowings		**190,367**	322,608
Guarantees for mortgage loans	*(ii)*	**70,731**	141,185
		261,098	2,473,793
Less: non-current portion	*23(b)*	**–**	(130,051)
Current portion		**261,098**	2,343,742

The above bank deposits are restricted as follows:

(i) The Group has entered into a series of agreements with respect to interest bearing loan. As at 31 December 2019, the Group had no deposits (as at 31 December 2018: RMB2,010,000,000) as security.

(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 2019, the Group had deposits of RMB70,731,000 (as at 31 December 2018: RMB141,185,000) 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.

21 Bank deposits and structured bank deposits (continued)

(b) Structured bank deposits

	Note	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Structured bank deposits	*(i)*	**961,950**	2,500,490

(i) Structured bank deposits were measured at fair value and any changes were recognized in profit or loss. As at 31 December 2019, RMB241,950,000 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 2019 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.

22 Cash and cash equivalents

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Cash on hand	**57**	252
Cash at bank	**1,046,327**	515,776
Term deposits with banks	**160,453**	205,896
Cash and cash equivalents in the consolidated statement of financial position	**1,206,837**	721,924
Cash and cash equivalents in the consolidated cash flow statements	**1,206,837**	721,924

23 Bank and other borrowings

(a) The borrowings were as follows:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Bank borrowings	**10,848,868**	10,444,384
Other borrowings	**7,149,786**	7,250,000
	17,998,654	17,694,384

23 Bank and other borrowings (continued)

(b) The borrowings were repayable as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year or on demand	**1,632,440**	964,189
After 1 year but within 2 years	**985,781**	1,648,513
After 2 years but within 5 years	**3,923,823**	2,632,008
After 5 years	**11,456,610**	12,449,674
	16,366,214	16,730,195
	17,998,654	17,694,384

The Group's borrowings denominated in RMB and HKD respectively are set out as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in:		
– RMB	**17,246,983**	16,971,673
– HKD	**751,671**	722,711
	17,998,654	17,694,384

The borrowings were secured as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Unsecured	**751,671**	–
Secured	**17,246,983**	17,694,384
	17,998,654	17,694,384

23 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 2019 and 2018.

(i) As at 31 December 2019, RMB17,246,983,000 (2018: RMB17,694,384,000) bank and other borrowings of the Group were secured by the following items:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investment properties	**55,891,000**	53,535,000
Bank deposits	**–**	322,608
	55,891,000	53,857,608

(ii) As at 31 December 2019, the Group's other borrowing were guaranteed by the Group and pledged by the shares of a subsidiary incorporated in the PRC.

(d) The effective interest rates per annum on bank and other borrowings at amortized cost are as follows:

	2019	2018
	%	%
Bank and other borrowings included in current liabilities	**4.41-5.50**	2.41-5.50
Bank and other borrowings included in non-current liabilities	**4.41-5.50**	2.41-5.50

(e) The fair value of non-current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using rates based on the borrowing rate and are within Level 2 of the fair value hierarchy.

24 Contract liabilities and receipts in advance from customers and rental deposits

Contract liabilities and receipts in advance from customers and rental deposits represented proceeds received on property unit sales and rental that have not been recognized as revenue in accordance with the Group's revenue recognition policy.

25 Trade and other payables

	Notes	As at 31 December	
		2019	2018
		RMB'000	RMB'000
Accrued expenditure on constructions	*(i)*	**1,397,866**	1,144,415
Amounts due to related parties		**812,732**	936,552
Rental deposits		**273,575**	205,427
Others		**563,862**	620,441
Financial liabilities measured at amortized costs		**3,048,035**	2,906,835
Other taxes payable	*(ii)*	**90,348**	65,761
		3,138,383	2,972,596

The carrying amounts of trade and other payables approximate their fair value.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Due within 1 month or on demand	**1,397,866**	937,595
Due after 1 month but within 3 months	**–**	206,820
	1,397,866	1,144,415

(ii) Other taxes payable mainly comprised value-added tax, deed tax, urban real estate tax and stamp duty payables.

26 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.

27 Capital, reserves and dividends

(a) Dividends

Final dividends in respect of the previous year amounting to RMB155,986,000 was declared and paid during the year (2018: Nil), included in which RMB214,000 was attributable to treasury shares of the Company (2018: Nil).

The Board resolved not to declare a final dividend for the year (2018: RMB0.03 per share).

(b) Share capital and treasury shares

(i) Share capital

	2019		2018	
	No. of shares Share'000	**Share capital RMB'000**	No. of shares Share'000	Share capital RMB'000
Authorized:				
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 2019, no option was exercised to subscribe for ordinary shares of the Company (2018: Nil).

(ii) Treasury shares

	Note	**2019**		2018	
		No. of shares Share'000	**Share capital RMB'000**	No. of shares Share'000	Share capital RMB'000
At 1 January		**7,115**	**31,026**	8,005	34,583
Shares purchased for employees' share award scheme		**97**	**223**	–	–
Vesting of shares under employees' share award scheme	*28(b)*	**(4,846)**	**(19,510)**	(890)	(3,557)
At 31 December		**2,366**	**11,739**	7,115	31,026

27 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 28).

(iii) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policies set out in Note 2(f).

(iv) Revaluation reserve

The revaluation reserve represents revaluation surplus of office premises in accordance with the accounting policies set out 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 utilized in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

28 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 authorized, 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 ended 31 December 2019 and 31 December 2018 are as follows.

	Number of instruments	Vesting condition	Contractual life of options
Options granted to directors:			
– on 6 November 2012	8,184,000	Portion vesting with seven years from the date of grant	10 years

(ii) No share options are unexpired and unexercised at 31 December 2019 and 2018.

28 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

(iii) The number and weighted average exercise prices of share options are as follows:

	2019		2018	
	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
Forfeited during of the year	–	–	(5.53)	(8,184)
Outstanding at the end of the year	–	–	–	–
Exercisable at the end of the year	–	–	–	–

(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
Fair value at measurement date	HKD1.79
Share price	HKD5.53
Exercise price	HKD5.53
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model or Binomial Tree Pricing Method)	48.37%
Expected dividends	5.56%
Risk-free interest rate(based on Exchange Fund Notes)	0.65%

28 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

(iv) Fair value of share options and assumptions (continued)

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.

(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.

28 Equity settled share-based transactions (continued)

(b) Employees' share award scheme (continued)

Details of the shares vested during 2019 and 2018 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	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	(5,735,740)	5.61	7 November 2013 – 7 November 2019	–
November 2011	1,038,000	5,188	November 2012	1,038,000	–	5.61	7 November 2013 – 7 November 2019	–
June 2012	155,500	838	November 2012	155,500	–	5.61	7 November 2013 – 7 November 2019	–
October 2012	188,000	945	November 2012	188,000	–	5.61	7 November 2013 – 7 November 2019	–
November 2012	264,700	1,498	November 2012	264,700	–	5.61	7 November 2013 – 7 November 2019	–
Total	5,166,700	25,611		5,166,700	(5,735,740)			

Movements in the number of shares awarded and dividend shares, but not yet vested were as follows:

	2019 Number of awarded shares and dividend shares	2018 Number of awarded shares and dividend shares
Outstanding at 1 January	**4,784,133**	4,930,306
Vested	**(2,066,680)**	(516,670)
Dividend shares		
– allocated to awardees	**61,872**	743,562
– vested	**(2,779,325)**	(373,065)
Outstanding at 31 December	**–**	4,784,133

29 Statement of financial position and equity movement of the Company

(a) Statement of financial position of the Company

		As at 31 December	
	Notes	**2019** **RMB'000**	2018 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**330,787**	330,787
Total non-current assets		**330,787**	330,787
Current assets			
Amounts due from subsidiaries		**20,414,732**	20,306,070
Trade and other receivables		**4,609**	3,868
Cash and cash equivalents		**215,146**	250,756
Total current assets		**20,634,487**	20,560,694
Total assets		**20,965,274**	20,891,481
Equity and liabilities			
Equity			
Share capital	*29 (b)*	**106,112**	106,112
Reserves	*29 (b)*	**(1,874,441)**	(1,642,875)
Total equity		**(1,768,329)**	(1,536,763)

29 Statement of financial position and equity movement of the Company (continued)

(a) Statement of financial position of the Company (continued)

		As at 31 December	
	Notes	**2019**	2018
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings		**751,671**	310,084
Total non-current liabilities		**751,671**	310,084
Current liabilities			
Bank and other borrowings		–	412,627
Other payables		**43,704**	61,119
Amounts due to subsidiaries		**21,938,228**	21,644,414
Total current liabilities		**21,981,932**	22,118,160
Total liabilities		**22,733,603**	22,428,244
Total equity and liabilities		**20,965,274**	20,891,481

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2020 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

29 Statement of financial position 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 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	*28(b)*	–	–	–	3,615	–	–	3,615
Vesting of shares under employees' share award scheme	*28(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)

	Notes	**Share capital RMB'000**	**Share premium RMB'000**	**Capital redemption reserve RMB'000**	**Capital reserve RMB'000**	**Exchange reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**
At 1 January 2019		**106,112**	**1,350**	**9,661**	**45,883**	**(2,257,506)**	**557,737**	**(1,536,763)**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**(38,981)**	**(38,981)**
Other comprehensive income		**-**	**-**	**-**	**-**	**(25,994)**	**-**	**(25,994)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(25,994)**	**(38,981)**	**(64,975)**
Employees' share award scheme	*28(b)*	**-**	**-**	**-**	**8,691**	**-**	**-**	**8,691**
Dividends approved in respect of the previous year	*27(a)*	**-**	**-**	**-**	**-**	**-**	**(155,772)**	**(155,772)**
Vesting of shares under employees' share award scheme	*28(b)*	**-**	**(15,811)**	**-**	**(3,699)**	**-**	**-**	**(19,510)**
At 31 December 2019		**106,112**	**(14,461)**	**9,661**	**50,875**	**(2,283,500)**	**362,984**	**(1,768,329)**

30 Commitments and contingent liabilities

(a) Commitments

(i) Commitments in respect of properties under development, investment properties and equity investments outstanding at 31 December 2019 and 2018 not provided for in the financial statements were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contracted for	**–**	699,472
Authorized but not contracted for	**–**	672,005
Commitments of investments	**105,949**	–
	105,949	1,371,477

(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 RMB111,971,000 as at 31 December 2019 (2018: RMB251,578,000).

(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:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**1,584,961**	1,486,606
After 1 year but within 5 years	**2,493,258**	1,638,650
After 5 years	**1,070,353**	141,649
	5,148,572	3,266,905

31 Material related party transactions

(a) Amounts due to related parties and corresponding transactions

Amounts due to related parties, included in current liabilities, comprise:

		As at 31 December	
	Notes	**2019** **RMB'000**	2018 RMB'000
China Fortune Properties (Group) Co., Ltd. ("China Fortune Properties")	*(i)*	**406,366**	406,366
Shanghai Rural Commercial Bank	*(i)*	**406,366**	406,366
Wang Rensheng		**–**	123,820
		812,732	936,552

(i) The balances as at 31 December 2019 mainly represented the advances of RMB812,732,000 (2018: RMB936,552,000) from China Fortune Properties and Shanghai Rural Commercial Bank, 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.

(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 32 and certain of the highest paid employees as disclosed in Note 7(a) is as follows:

	2019 **RMB'000**	2018 RMB'000
Short-term employee benefits	**16,470**	17,978
Post-employment benefits	**245**	230
Share-based payments	**8,691**	3,615
	25,406	21,823

32 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 2019:

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	3,305	–	38	269	90	3,942
Pan Zhang Xin Marita (Chief Executive Officer)	240	2,528	–	–	83	–	2,851
Independent non-executive Directors							
Huang Jing Sheng	295	–	–	–	–	–	295
Xiong Ming Hua	295	–	–	–	–	–	295
Sun Qiang Chang	295	–	–	–	–	–	295
Total	1,365	5,833	–	38	352	90	7,678

32 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2018:

Name	Fees	Salary	Discretionary bonuses	Housing Allowance	Estimated money value of benefit	Employer's contribution to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Pan Shiyi (Chairman)	240	2,160	883	35	124	55	3,497
Pan Zhang Xin Marita (Chief Executive Officer)	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*

(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.

33 Event after the reporting period

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of material adverse effects on the financial statements as a result of the COVID-19 outbreak.

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