SOHO 中國 CHINA

Stock Code: 410

SOHO CHINA LIMITED

2020 ANNUAL REPORT

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 2020 (the "Year"), together with the comparative figures for the year ended 31 December 2019.

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Chairman's Statement

2020 has been an unprecedented year with the outbreak and spread of the pandemic affecting the global economy and people's lives all over the world. International travel has come to a halt, and people are isolated from each other, with all activities taking place in confined spaces. For many companies, 2020 has presented the greatest challenge faced by business in years.

Our situation is the same as many companies in China. Because many of our tenants struggled to operate, by the end of last April occupancy of SOHO's stabilized projects had fallen. Facing this challenge, we decided to treat the situation with calmness and not to take any drastic measures. In response to the government's call for action, the Company introduced measures to support certain industries that were seriously affected by the pandemic and helped shoulder their burden – some tenants received reduced rents, some were provided with subsidies for the pandemic, and some were granted an extended grace period to complete their rental payments.

Facing these difficulties, our strategy was to strive to "expand our resources" by strengthening our rental business, and focusing on the market and on customers. We believe that the short-term decline in occupancy rates presented both risk and opportunity. In previous years, our occupancy rates were consistently close to full. There were many large companies who wanted to come to our buildings to work, and tenants who wanted to expand their rental space within our buildings, and these demands were always difficult to be fulfilled. Last year, after integrating vacant areas, we attracted many high-quality companies who leased areas of thousands or tens of thousands of square meters. This adjustment to our leasing strategy enabled our business to begin to rebound in May, and our stabilized projects achieved an increase in occupancy rates by the end of 2020. Our newly signed tenants include Huawei, Alibaba, Yuanfudao, Taikang Life, SPD Bank, Shanghai Industrial, Phoenix Media, and others. The Company's tenant base has become more diverse.

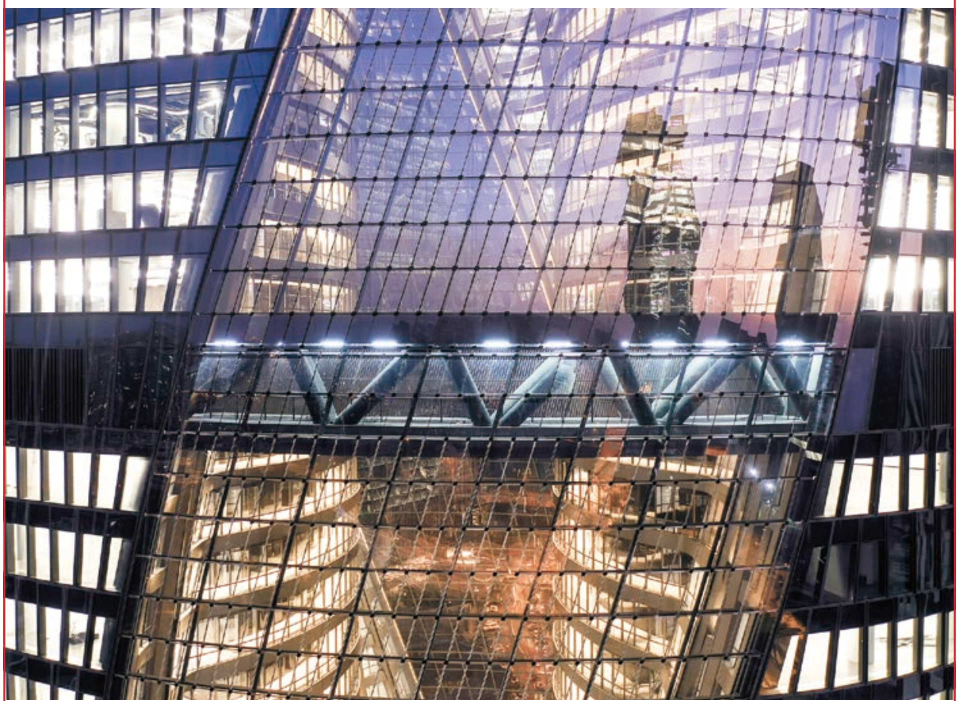
These companies which possess core competitive strength and leading technologies are valuable assets to society; they are also able to withstand the impact of the pandemic and have the ability to lease large spaces. Historically, companies like these have been a real driving force behind societal progress. Societal advancement is rooted in the advancement of technology, from stone to bronze, to iron, all the way to the industrial revolution, the information revolution, and to today's 5G era. These are all examples of how technology propels the advancement of greater society. Huawei is a great representative of this type of company, and we are fortunate to be able to provide them with our service.

Leeza SOHO, which only entered the market in early 2020, has also made remarkable achievements despite the pandemic. We successfully introduced Huawei's China headquarters as the building's anchor tenant, with a signed area of 59,000 square meters, helping the project's occupancy rate to reach 60% at the end of the year. This was also the largest single Beijing office rental market transaction in 2020, which has had a positive driving effect on leasing the rest of the project, while also contributing to the overall development of the Lize Business District.

The achievements of our leasing business are inseparably linked to the Chinese government's effective pandemic prevention and rapid economic recovery. As office building managers, we have carried out pandemic prevention work in strict accordance with government requirements and directives. Out of the more than 4 million square meters of buildings we manage, none of our hundreds of thousands of tenants nor any of our staff members have been infected by COVID-19. Now, scientific methods of epidemic prevention are quickly being deployed, especially in China. With more and more people getting vaccinated, the end of pandemic is quickly approaching.

In 2020, regulatory authorities continued to implement the principle of "real estate is not for speculative investment". In order to prevent financial risk and real estate bubbles, the People's Bank of China and the Ministry of Housing and Urban-Rural Development jointly launched the "three red lines" policy. SOHO China has not broken any of the red lines. At the end of 2020, the Group's net gearing ratio was 43% and its average financing cost was 4.7%.

In order to remedy the economic damage caused by COVID-19, many countries are issuing currency in large amounts. The monetary policy in China is relatively stable thanks to the country's successful outbreak prevention and control of the pandemic. While the scale of currency issue has reached unprecedented levels in regions outside of China, in the current era of globalized capital, these funds will also flow into markets with the most potential for investment and development. SOHO China's high-quality commercial properties in the core areas of Beijing and Shanghai will certainly benefit from appreciation in value.



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 2020 (RMB'000)	Occupancy Rate[2] as at 31 December 2020	Occupancy Rate[2] as at 30 June 2020
Beijing				
Qianmen Avenue project	34,907[3]	78,090	92%	87%
Wangjing SOHO	149,172	288,573	83%	73%
Guanghualu SOHO II	94,134	194,993	68%	77%
Galaxy & Chaoyangmen SOHO	45,913	76,117	62%	76%
Leeza SOHO[4]	132,777	21,118	60%	10%
Shanghai				
SOHO Fuxing Plaza	88,234	220,870	82%	82%
Bund SOHO	72,006	147,359	97%	68%
SOHO Tianshan Plaza	97,681	188,840	83%	88%
Gubei SOHO	111,582	183,974	87%	77%

Notes:

1. *The leasable GFA (gross floor area) attributable to the Group as at 31 December 2020.*
2. *Occupancy rate for office and retail areas.*
3. *The leasable GFA of Qianmen Avenue project does not include the areas that were delivered at 31 December 2020. Leasing of these areas will be launched in 2021.*
4. *Leeza SOHO was completed in December 2019.*

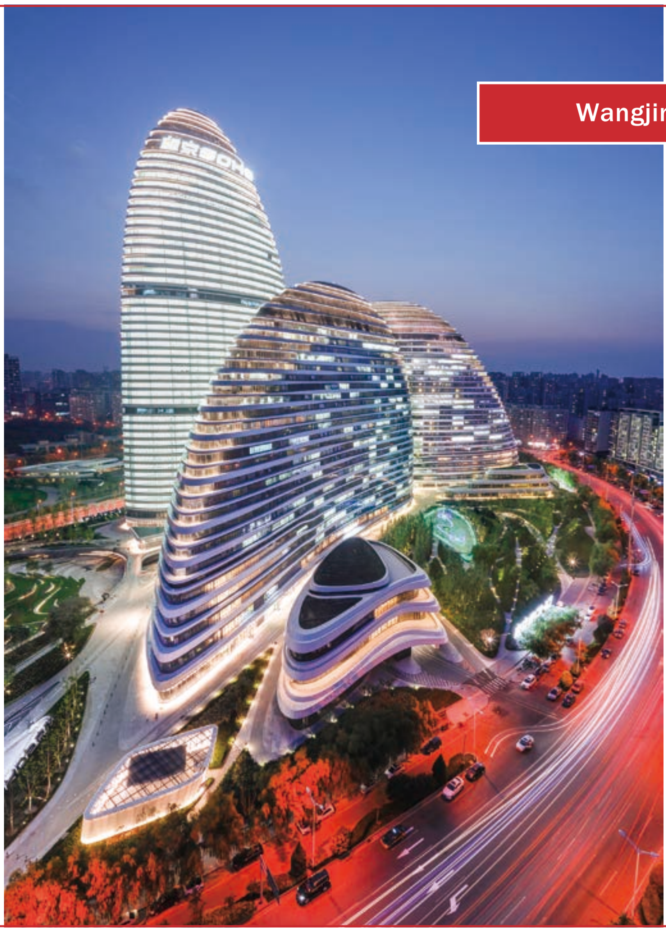
MAJOR PROJECTS IN BEIJING

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 94,134 sq.m., including approximately 63,308 sq.m. of office area and approximately 30,826 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 about 51,889 sq.m. has been delivered by the end of 2020. Currently, approximately 34,907 sq.m. is 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 157,308 sq.m., and a total leasable GFA of approximately 132,777 sq.m.. The project was completed in December 2019. The Group holds Leeza SOHO as investment property.

Leeza SOHO

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 47,964 sq.m. is for office use and approximately 40,270 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 72,006 sq.m., including approximately 50,347 sq.m. of office area and approximately 21,659 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 155,827 sq.m.. The office and retail parts of SOHO Tianshan Plaza were completed in December 2016, with a total leasable GFA of approximately 97,681 sq.m., including approximately 74,428 sq.m. of office area and approximately 23,253 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.

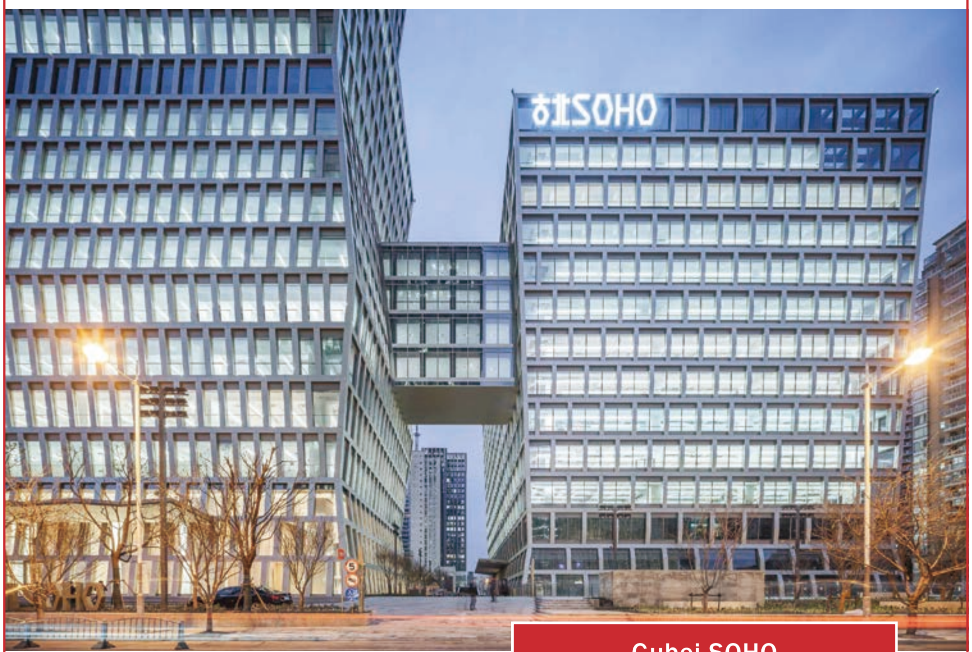
SOHO Tianshan Plaza

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 111,582 sq.m.. The project was completed in January 2019. The Group holds Gubei SOHO as investment property.



Gubei SOHO

Environmental, Social and Governance Report

OVERVIEW

This is the fifth Environmental, Social and Governance (ESG) report of SOHO China. By disclosing our conception and practice of sustainability, the aim is 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 ESG Reporting Guide of The Stock Exchange of Hong Kong Limited (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 2020 to 31 December 2020. All data are from internal documents or statistical reports of SOHO China.

1. ESG MANAGEMENT

SOHO China has always upheld the sustainability concept of "spiritual progress and growth together with social and material development". We attach great importance to ESG, incorporate social responsibility, environmental protection and product liability issues into our corporate governance and daily operations, and shoulder corporate social responsibility (CSR). SOHO China constantly pushes forward its own sustainability process, and acts as a responsible company, thus achieving harmony and win-win for the company, for its shareholders and for business partners.

1.1 Stakeholder Communication and Response

SOHO China views its communication with stakeholders as the top priority, and identifies core stakeholders based on the scope impacted by our sustainability and on the industry background. SOHO China has established a variety of communication channels to evaluate the company's ESG performance in an impartial and comprehensive manner, and offered timely and targeted responses to stakeholders' expectations. We has regularly collected suggestions from senior management to evaluate the importance of sustainability for the Company's operations. We has also made information disclosure more transparent, learned about the feedback from external stakeholders and assessed how the Company's sustainability influences them.

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

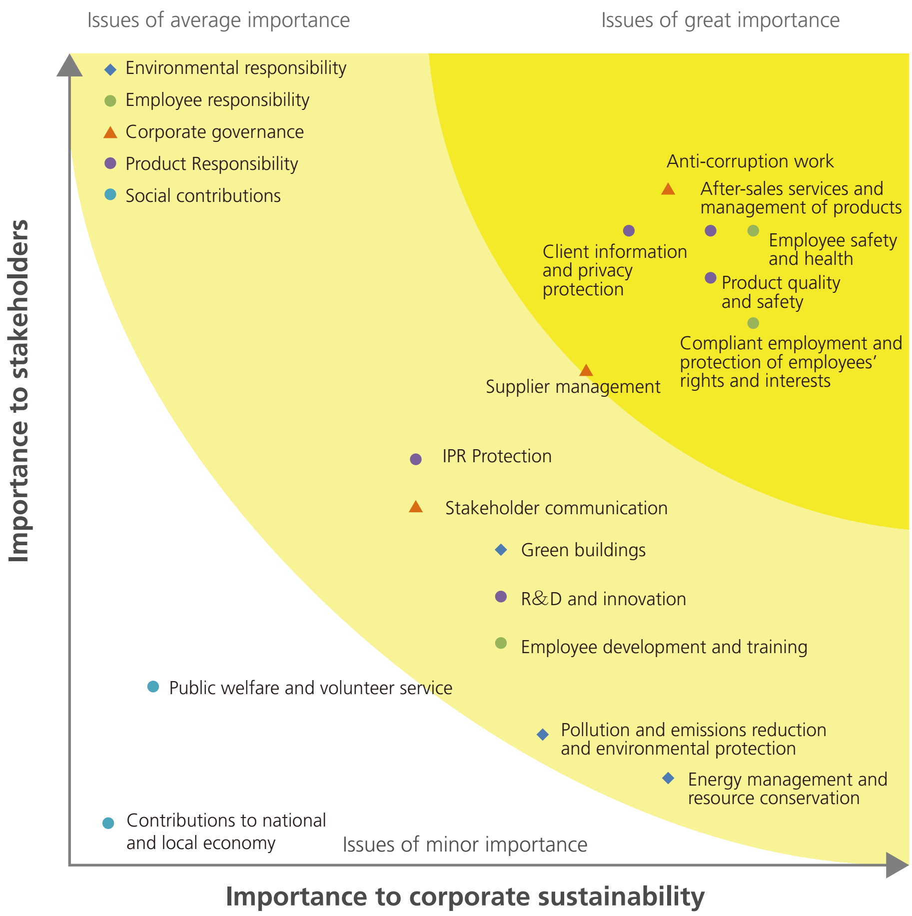
Major Stakeholders	Expectations and Requirements	Communications and Responses
Governments	• Compliance with relevant laws and regulations • Information disclosure • Local economic development	• Proactive compliance with local laws and regulations • Regular submission of supervision reports • Proactive tax payment and complying with national policies
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 Company's ESG performance and ensure that information disclosure covers key issues that are of common interest to the Company and stakeholders. In 2020, we received 626 stakeholder questionnaires responses.

In light of two dimensions, namely "importance to stakeholder" and "importance to the development of enterprise sustainability", SOHO China has identified major ESG issues, formulated a matrix of key topics in 2020, and guided future sustainability management based on data analysis results from the questionnaires. We have also taken into account the macro background of corporate development, 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.

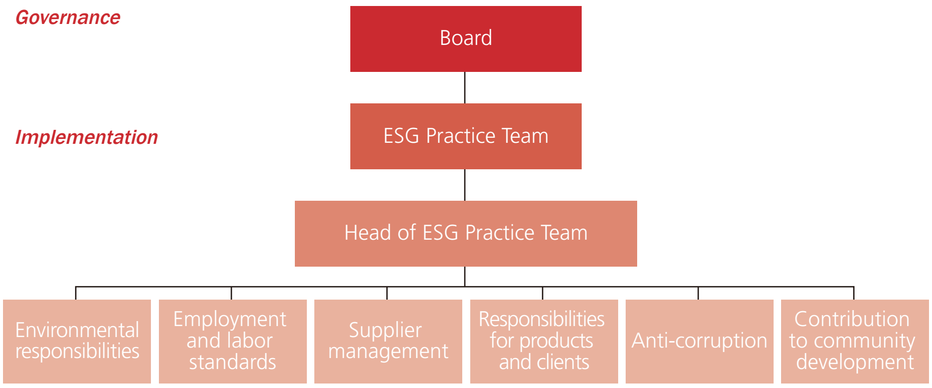
SOHO China's ESG Materiality Matrix 2020



1.3 ESG Governance Framework

In 2020, SOHO China established the ESG governance framework to improve the internal ESG management mechanism. By clarifying responsibilities in regulation and improving ESG risk management, we have integrated sustainable development into our daily management.

Our ESG governance framework clarifies responsibility and accountability: the Board holds the ultimate responsibility for ESG matters of SOHO China, including formulating policies, strategies and goals for sustainable development, and sees to it that the decisions have been carried out. The ESG team, made up of different departments, is in charge of promoting decision making and implementation, as well as making regular reports on ESG information to the Board. The ESG team has the head responsible for major ESG issues of their department, covering environmental responsibility, employment and labor standards, supplier management, responsibilities for products and clients, anti-corruption, contribution to community development, etc. The head of ESG sees to it that all the ESG matters are well settled.



2. ENVIRONMENTAL RESPONSIBILITY

SOHO China has remained committed to green development and has been actively fulfilling its environmental responsibility of energy conservation and environmental protection. As China launches and implements policies of environmental protection and green development, the Company has kept exploring sustainable project development models. Focusing on the design, construction and operation of buildings, we have optimized energy efficiency, reduce pollutant discharge and build green and sustainable buildings.

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 has formulated a series of internal environmental management policies including the *Control Procedures on the Identification and Evaluation of Environmental Factors* in a bid to regulate the environmental management system and fulfill the company's environmental responsibility.

2.1 Goals of Environmental Management

In 2020, SOHO China set the five-year (2021–2025) environmental management goals in order to further reduce the adverse impact of the Company's daily operation on the environment.

Resource utilization

- **Goal of energy conservation:** With the *Standard for Energy Consumption of Building (GB/T 51161–2016)* as the benchmark, the annual building energy consumption should be reduced at least 20%, more than 80 million kWh per year, and the total building energy conservation over the five years should be more than 400 million kWh.

- **Goal of water conservation:** With the 2017–2019 annual average as the benchmark, the annual water consumption should be saved at least 2% per year, and the total water conservation over the five years should be at least 10%.

Emissions

- **Goal of reduction of greenhouse gas emissions:** Based on energy conservation and with the *Standard for Energy Consumption of Building (GB/T 51161–2016)* as the benchmark, the annual reduction of carbon dioxide should be more than 60,000 tons, and the total reduction over the five years should be more than 300,000 tons.

- **Goal of reduction of waste:** By implementation of green operations and promoting the idea of paperless offices, the reduction of waste should be at least 15% within five years with 2020 as the base year.

2.2 Green Design

SOHO China has championed the philosophy of green design and the principle of different measures for different conditions. Based upon the function and quality of buildings, we give priority to selecting environment-friendly material and using renewable energy to reduce resource consumption, prevent environmental destruction, and create healthy and sustainable green spaces and buildings.

Early in August 2009, SOHO China has officially defined the strategic direction of green buildings. We have listed relevant design requirements under the green building rating system as the design standards and adopted the LEED-CS evaluation system for new and major renovation projects. We have integrated renewable energy technology, high-efficiency HVAC system, energy-saving control system and other low-carbon technologies into the design, established real-time monitoring and control system of energy and equipment management, and applying advanced equipment systems such as intelligent building control. We have directly or indirectly reduced greenhouse gas emissions and pollutant emission and rigorously controlled waste through several aspects such as land conservation, outdoor environment, water conservation and utilization, energy conservation and utilization, material conservation and utilization and indoor environment quality. The amount of material produced can make effective use of resources. By 2020, SOHO China has obtained the LEED-CS gold certification for 8 projects, the LEED-CS silver certification for 1 project, and the two-star Chinese green building evaluation label for 1 project. The area of certified green building has reached 2.18 million square meters, accounting for more than 50% of the total building area.

2.3 Green Construction

SOHO China has adopted green construction solutions during project constructions, used eco-friendly building materials, conserved resources, and enhanced management of waste to make resource use more effective and reduce the adverse impact of construction on local residents and their surroundings.

SOHO China has managed to use eco-friendly adhesives, detergents and decorative materials to improve the indoor air quality, reduce toxic gas pollution, and create a healthy living environment. Meanwhile, SOHO China has maximized its use of local, renewable, recyclable and reusable materials, green property operation and maintenance materials, and green office consumables to reduce resource consumption and pollutant discharge during the production and transportation of materials.

We have optimal use of natural lighting and improved the operational efficiency of energy systems to realize energy-saving operations. We have also rationally used water resources by recycling rainwater and gray water and installing water-saving apparatus to reduce the impact on the environment.

SOHO China has remained committed to protecting the ecological conditions of the project site and its environs by setting up outer fencing and strictly implementing a plan for soil and water conservation. We protect the original vegetation on site as much as possible, reduce the damage to soil and biodiversity, and minimize the disturbance to the ecosystem. Moreover, we have stipulated that night-time construction shall be avoided, and working hours shall be separated from those for normal rest as much as possible to get rid of the noise problem for surrounding residents. In addition, sound insulation measures have been taken for major noise sources such as forklifts, cutting machines and punchers.

SOHO China has implemented rigorous waste management measures to avoid soil and water contamination. We have set up enclosed garbage containers on site, stored construction garbage and hazardous waste in separate locations, and collected and transported them before entrusting qualified service providers with disposal. Pollutants and waste have been reduced in size and then turned into reusable resources to improve the recycling rate. Furthermore, we have built sedimentation tanks and drainage ditches to enable harmless disposal of sewage, and discharged wastewater into municipal sewage pipes once the emission standards are met. Therefore, soil and underground water are spared from pollution.

The reconstruction or renovation of all the projects are in accordance with green construction standards, thus maximizing material reuse and construction waste reduction. The construction waste from the renovation of all the public area in 2020 is as follows:

Indicator	2020
Construction Waste (tons)	2,107.18

2.4 Green Operations

SOHO China has taken proactive steps to conserve energy, reduce emissions, and remain committed to green operation and green working in its daily operations. In accordance with the operation and maintenance principle of green buildings, through improvement on management policy, water- and energy-conservation strategies, as well as the updated equipment and facilities, we have enhanced the efficiency measures of energy and resource use. Meanwhile, we have also reduced discharge through improving waste management.

SOHO China has formulated and implemented a series of energy management policies, including the *Energy Data Management Standard, the SOHO China Standard for Energy Conservation at Office,* the *Equipment and Facility Management Standard,* the *Public Lighting Management Standards,* the *Management Standards for Community Energy Conservation,* and the *Profit Accounting Method for Energy Performance Assessment of the Asset Management Company.* We have used energy and resources in a reasonable manner and reduced emissions. Moreover, the effective supervision of centralized platform management and the monthly evaluation are planned for quality control.

SOHO China has constantly optimized the environmental management system, and utilized energy-efficiency technology and material throughout the whole process of design, construction and operation of buildings. We have continued to increase the efficiency of energy and resource use, controlled the generation and emission of pollutants, standardized the storage and disposal of waste, and built green offices to minimize the adverse impact on the environment.

Indicator[1]	**2020**
Total greenhouse gas emissions (Categories I and II) (tons)[3]	198,490.75
Direct emissions (Category I) (tons)	3,239.13
Natural gas (MWh)	10,682.80
Indirect emissions (Category II) (tons)	195,251.62
Purchased electricity (MWh)	257,051.12
Greenhouse gas emissions per square meter (floor area)[4] per year (tons/m^2)	0.048

Notes:

1 *The data on environmental indicators in this year's report have been increased from 8 major self-owned projects in 2019 to 24 projects within its property management.*

2 *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, relevant measures will be taken in accordance with the EIA report, so as to meet the emission control standards.*

3 *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 2011 and 2012 Average CO_2 Emission Factors for China's Regional Power Grids issued by the National Development and Reform Commission of China, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (Revised in 2019) published by the Intergovernmental Panel on Climate Change (IPCC).*

4 *By the end of 2020, the property management company of SOHO China was managing 24 projects, with a total building area of 4,126,867.42 square meters. Excluding the usable area for office, retail or residential use, the total public area is 1,392,420.95 square meters. The parameter used in calculating the intensity of greenhouse gas emission in this report is the total building area.*

SOHO China established its energy-saving center in October 2013, which is open to the public for free. This has started a new chapter in energy conservation, emission reduction and green environmental protection operation. At the same time, SOHO China has started to build energy management platforms in 2013. Through installing classification and sub-energy consumption metering devices on distribution equipment, lighting equipment, elevators, HVAC equipment, etc., we can collect real-time data of energy consumption by remote transmission and other means, thus achieving the real-time monitoring of energy consumption, dynamic analysis, and the management based on data and performance for different buildings. Up to now, we have built 24 2D energy management platforms and 8 3D BIM energy management platforms. The center of our group conducts regulation for all the platforms, and operators of the individual platform conducts on-site regulation as well. Besides, we have been practicing the concept of green design in operation and maintenance and optimizing control strategies for air conditioning systems, lighting systems and other equipment. We also have strict controls on the use of environment-friendly refrigerants to minimize greenhouse gas and pollutant emissions and reduce the damage to the ozone layer and the atmosphere. Furthermore, in order to achieve a better controlling of building operation and maintenance, eliminate blind spots in the management, ensure the reliable equipment operation as well as facilitate the digital transformation of equipment and facility management, we have started to build equipment and facility platforms from 2015. By now, online management has been applied for all the projects, which improves the management efficiency, the capacity of the staff, and the effective information communication between the equipment and facilities. With all these measures, we have made remarkable achievements in the management of energy conservation and emission reduction. In 2020, the building energy conservation is 120 million kWh compared to the *Standard for Energy Consumption of Building (GB/T 51161-2016)*.

Indicator	2020
Total energy consumption (MWh)[1]	267,733.92
Direct energy consumption (MWh)	10,682.80
Natural gas (MWh)	10,682.80
Indirect energy consumption (MWh)	257,051.12
Electric power (MWh)	257,051.12
Energy consumption per square meter (floor area) per year (MWh/m^2)[2]	0.065

Notes:

1 *Within the scope of disclosure, no other direct energy sources like diesel or coal are consumed. The energy consumption data is based on power and fuel consumption and relevant conversion factors in the General Principles for Calculation of the 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 of China, including electric power and natural gas.*

2 *The parameter for calculating the density of energy consumption in this report is the total building area.*

SOHO China has actively improved the method for water use and conservation to strengthen water management, and introduced dual-flush toilets, low-flow faucets, inductive faucets and valves and high-pressure washers to reduce water consumption. We have also recycled rainwater, reused gray water and reclaimed water, and used collected rainwater and circulating water at the project site for efficient irrigation to promote the reuse of water resources.

Indicator	2020
Tap water (tons)	2,205,034.00
Tap water consumption per square meter (floor area) per year (tons/m^2)[1]	0.53

Note:

1 The parameter for calculating the density of water consumption in this report is the total building area.

SOHO China has formulated the garbage management system for solid waste treatment, built garbage chambers on the premises, and required cleaning staff to collect and transport the waste to garbage stations at a designated period every day. The wet and dry garbage in garbage chambers shall be separated, stored and treated in different places. The cleaning apparatus is installed, and the cleaners will disinfect it with chemical agents every day. Hazard waste is treated on a regular basis, and dangerous waste is entrusted to a qualified third party for non-hazardous treatment.

Indicator[1]	2020
Non-hazardous waste (tons)[2]	2,408.38
Domestic waste	277.50
Kitchen waste	0.00
Construction waste	2,107.18
Office paper	23.71
Non-hazardous waste per square meter (floor area) per year (tons/m^2)	0.0017
Hazardous waste (tons)[3]	2.85
Waste toner cartridges	0.02
Waste cartridges	0.36
Waste fluorescent tubes	2.24
Other electronic waste	0.23
Hazardous waste per square meter (floor area) per year (tons/m^2)[4]	0.0020

Notes:

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

2. *Non-hazardous waste, mainly household waste and kitchen waste is treated by a recycler. In 2020, we updated the method of calculating non-hazardous waste by separating the waste produced by SOHO China property from that generated by tenants and eliminating the latter data, so the amount of non-hazardous waste saw a major decline compared to 2019.*

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

4. *The parameter for calculating the density of waste in this report is the total public area.*

In addition, SOHO China has valued the advocacy of the green governance philosophy by posting notices on water and electricity conservation at the project sites and offices, launching colorful environmental awareness activities on a regular basis, setting up a bulletin board on energy saving, encouraging employees to choose green commuting, and recycling old paper. These efforts have helped heighten the staff's awareness to protect the environment, build green offices and carry out green operation.

In 2020, the two projects: Building A and B of Jianwai SOHO and SOHO Nexus Center have been approved by the board of experts from the "Fund for Energy-Saving and Green Renovation of Public Buildings in Beijing" respectively. Compared with the benchmark year (2014), the relative building energy conservation values for the two projects are 23% and 17%, respectively, with a total area of 177,000 square meters. The two projects will win the Fund for Energy-Saving and Green Renovation of Public Buildings in Beijing of RMB4.926 million.

For the next two years, 4–5 projects will be awarded the two-star Chinese green building evaluation label, with the total area of 1.36 million square meters, accounting for more than 30% of the present total building area.

2.5 Responding to Climate Change

Climate change has gradually become an important threat to the global economy and society. And extreme weather such as floods, rainstorms and droughts triggered by climate change has brought many challenges to the ecological environment and business operations. The Chinese government has always been actively participating in climate change governance and promoting the construction of ecological civilization in accordance with the commitments of the Paris Agreement. In 2020, China confirmed to increase its contribution to emissions reductions, aiming to reach the carbon peak by 2030 and achieve carbon neutrality by 2060. In addition, regulators and capital markets are gradually increasing requirements for disclosure of climate-related information.

In this context, SOHO China is actively studying the strategies and policies of the government and agrees that the environment and climate change will pose risks to the company, such as extreme weather that could damage the company's operating equipment and increase the company's operating costs. In addition, SOHO China has also identified opportunities for quality operations, committed to improving the competitiveness and anticipated potential risks to resist force majeure.

In the face of the risks and opportunities brought about by climate change, SOHO China has taken active measures to continuously promote sustainable ecological development by strengthening energy conservation and emission reduction, implementing green operations, and exploring new targets of environmental emission reduction.

3. EMPLOYMENT AND LABOR STANDARDS

SOHO China regards its staff as the most precious resource and asset. We have remained committed to the people-oriented management philosophy, improved the management mechanism of human resources, and perfected the promotion and remuneration system to safeguard the legitimate rights and interests of employees. We care for our employees' physical and mental health by improving the management system of occupational health and offering a safe and sound working environment. Moreover, we have cultivated more high-caliber talents, valued feedback from employees, and offered them more training and development opportunities to drive the shared growth of both the company and its employees. We benefit our staff members with the development benefits for their self-fulfillment so that SOHO China and our employees can enjoy harmonious growth together.

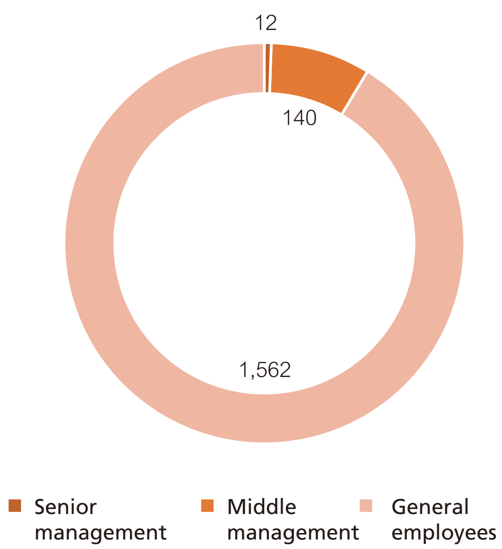
3.1 Employment Overview

SOHO China has adhered to the principle of legal, equal and diversified employment, improved the management system and institutional guarantee for human resources, and attached importance to democratic management of employees, so that they can enjoy their legitimate rights and have their benefits raised. We strictly abide 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*, and the *Law of the People's Republic of China on the Protection of Rights and Interests of Women and Children*. We employ in accordance with the law, establish and keep improving the management system, and safeguard the legitimate rights and interest of employees.

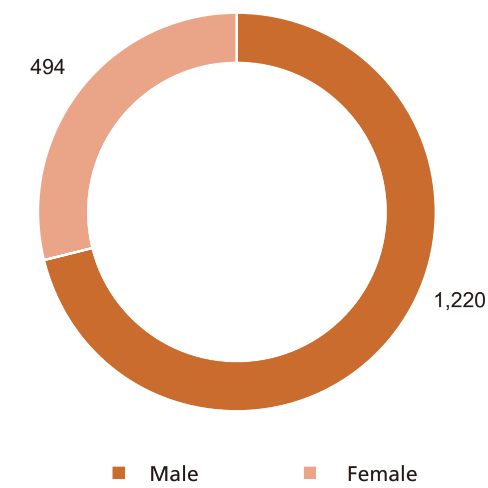
SOHO China has banned and resisted any form of child labor or forced labor, and opposed all types of discrimination based on gender, ethnicity, age, belief and region. We adhere to equal employment in compliance with the law. To that end, we have formulated a series of policies, guidelines and brochures to prevent irregularities in employment. The *Employee Handbook* clearly stipulates that no child labor shall be employed, and demands that employees' graduation certificates, ID cards and other documents be registered and strictly checked after employees are hired. It also improves the methods of punishment for violations and clarifies responsibility and accountability to prohibit possible violations. In 2020, there were zero child labor or forced labor at SOHO China.

SOHO China has laid emphasis on attracting talents and safeguarding their rights and interests in hiring employees. We have launched diversified and equal recruitment through wide-ranging channels such as the Internet, headhunters and the campus talent reserve plan, as well as internal recruitment. We have also encouraged our employees to introduce talents to expand the talent pool. Local policy-based preference is banned in the recruitment process. We sign labor contracts with employees in accordance with the law to fully protect their rights. Furthermore, we strictly follow the national standards governing the management of dispatched labor, and require the dispatching agency to meet relevant laws and regulations concerning personnel management. In 2020, the Group had 1,714 employees, and the signing rate of formal labor contracts was 100%.

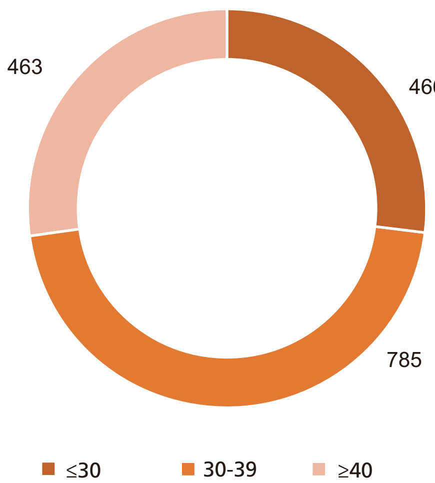
Number of Employees: Classified by Type

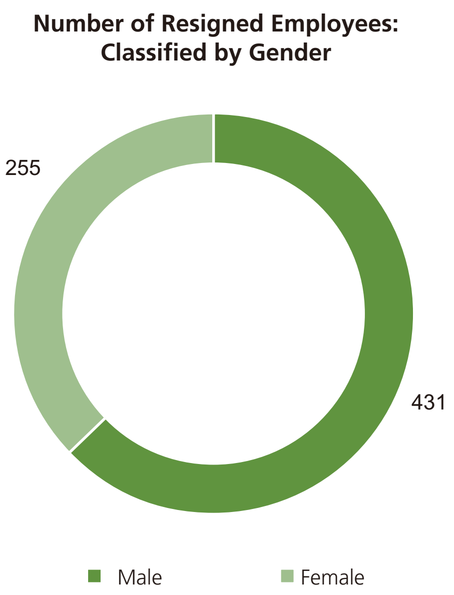


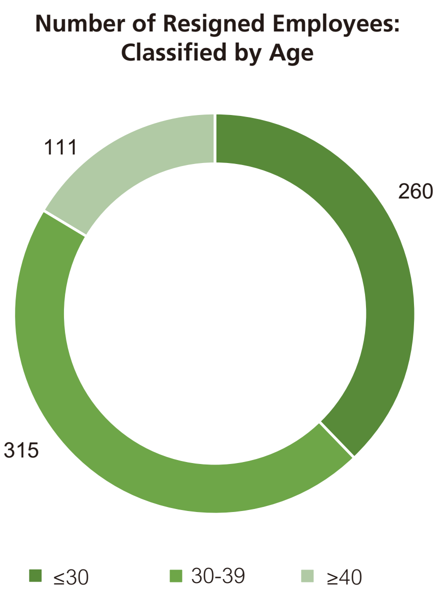
Number of Employees: Classified by Gender



Number of Employees: Classified by Age







In 2020, Commune by the Great Wall signed a joint management agreement with Hyatt Hotels Corporation. In April 2020, the hotel was closed for refurbishment, and it is expected to reopen in April 2021. 182 employees quitted due to the closure. We applied a performance-based salary system to our employees in the leasing business sector. 150 employees quitted from the sector throughout the year, indicating a high turnover.

3.2 Payroll and Benefits Management

SOHO China has kept providing employees with fair and reasonable remuneration, and constantly optimized its remuneration and benefits system. We pay social insurance and housing provident funds for all employees in accordance with relevant national and local laws and regulations. In addition, we offer supplementary commercial insurance for employees, and organize annual medical checkups to improve their benefits, protect their rights and interests, and intensify care for employees.

Meanwhile, SOHO China has continuously improved the performance evaluation system so that performance is used as a strategy to improve work efficiency and company profits. We implement a monthly performance evaluation mechanism that connects the evaluation results to employees' performance salaries. The system recognizes employees' capability, reasonably distributes income, and motivates the departments and their staff.

3.3 Occupational Health and Safety Management

SOHO China has put employees first and prioritized their occupational health in managing occupational health and safety (OHS). We have made sustained efforts to improve the OHS management system and strengthen the management of high-risk work and fire safety to build a sturdy safety net. We offer comprehensive and standardized OHS management, strengthen employees' awareness for personal protection, and regularly hold safety education sessions and emergency drills to build a safe working environment and protect employees' health. In 2020, SOHO China followed the certification requirements of the obtained Occupational Health and Safety Assessment Series (OHSAS 18001) to make solid steps in safety management. As of the release of this report, there was zero work-related death accident happened.

- *Improving the Occupational Health and Safety Management System*

  SOHO China has paid high attention to employees' occupational health and safety, and rigorously followed the *Law of the People's Republic of China on Work Safety,* the *Law of the People's Republic of China on the Prevention and Control of Occupational Disease,* 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* and other relevant laws and regulations. We have constantly improved the occupational health and safety management system, and followed internal management policies such as the *Management Manual on Quality, Environment & Occupational Health and Safety,* the *Work 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* to carry out work regarding the occupational health and safety of employees, fire safety, and management of specific high-risk work.

  SOHO China has been devoted to minimizing employees' health and safety risks by strengthening the identification of risks to reduce environmental hazards and occupational health risks at the workplace, valuing safety management that requires managers at all levels to be conscientious in regular safety management in line with relevant mechanisms, and introducing records on project accidents into performance assessment so that the responsible party and managers will implement safety management requirements. In the case of an accident, those who are responsible will be dealt with seriously in accordance with relevant regulations, with their monthly performance bonus canceled.

- *Ensuring a Safe Working Environment*

  SOHO China has further clarified the safety requirements at the workplace in the labor contract, employee handbook and vocational guidelines to inform employees of occupational health and safety standards and project risk management plan. We have also managed the sources of danger at the project site on a regular basis, established rules for the access of stakeholders, approval of operations and issuing of permits, maintained equipment and facilities, checked the qualifications of operating personnel, set up warning signs, and ensured that the ground of the project sites remains smooth and undamaged, and that the manholes are placed properly. Field supervision and inspection is regularly carried out to ensure the effectiveness of warning signs and protective measures and reduce or even eliminate adverse effects.

  SOHO China has put in place a set of mechanisms for security inspection and emergency response to tackle potential emergencies. We conduct regular patrols on safety-related equipment and facilities, and pay close attention to the management in crowded public spaces of alarm devices, emergency rescue equipment and exit passageways. As long as problems surface, they will be addresses in no time to ensure the safety of personnel.

  SOHO China has rigorously followed the *Regulations on the Safe Management of Dangerous Chemicals*, checked how well inflammable and explosives are managed in the storage place on a monthly basis, and conducted special inspection on dangerous areas to address the sources of danger immediately and eliminate potential safety hazards.

  In terms of fire safety, SOHO China has clearly stated, in its system, the responsibilities of safety monitoring, fire protection rules and fire emergency plans to ensure effective fire safety management. On the one hand, we are equipped with a variety of fire safety facilities such as the firefighting water system, automatic fire alarm/interconnected control system, gas alarm system, emergency lighting system, evacuation indication system, fire extinguisher, fire hydrant and gas fire-extinguishing system as required by laws and regulations; on the other hand, we regularly check, repair and maintain relevant fire-fighting facilities and equipment to ensure the normal operation of the firefighting system.

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

  SOHO China has effectively managed the personal safety of those taking high-risk jobs and special jobs, and offered protection measures above the industrial average to prevent employees from occupational injury and work-related disease. We respect the employees' right to decide whether to engage in high-risk work and special operations, pay work-related injury insurance for employees to protect their rights and interests, and distribute labor protective equipment that comply with national standards to front-line workers and special operators, such as noise-proof earplugs, insulating boots and gloves, anti-static clothing, etc., to prevent occupational hazards. We also give cool drinks to outdoor workers in the summer and pay them extra bonus to show our care and support.

- *Organizing Safety Training and Education*

  SOHO China has raised employees' awareness of occupational health and safety by hosting a series of colorful workplace safety training activities to make employees become better prepared for dangers and risks and learn to protect themselves. We play an educational publicity film every month, organize safety training courses and exchange meetings, carry out emergency plan drills, and improve employees' capability to make risk judgments and respond to emergencies.

- *Employees' Health amid COVID-19 Pandemic*

  In 2020, in the face of the COVID-19 pandemic, SOHO China always put the health and safety of its employees first, and via various channels, organized personnel to purchase pandemic prevention and control supplies to ensure the normal supply of essentials. In the shortest possible time, we were equipped with masks, thermometers and disinfectants. In 2020, there was zero error in our pandemic control effort and zero infection at SOHO China, and the work and life of our employees during the pandemic was guaranteed.

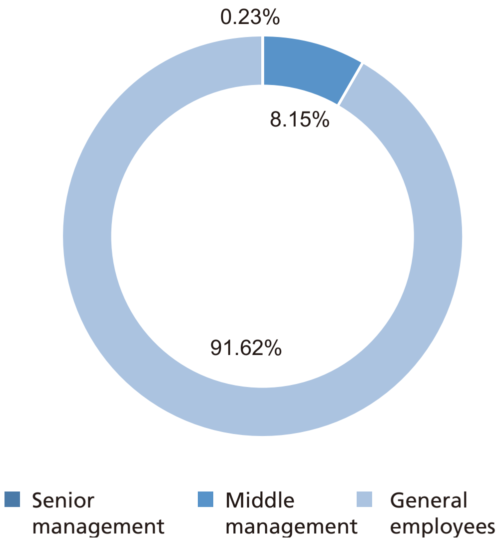
3.4 Development and Training

SOHO China has established a standardized, science-based and systemic training system and used the knowledge management platform to boost the growth of employees and the long-term development of the company. We organize systematic training sessions on professional skills and staff development, covering professional knowledge, rules and regulations and job skills to meet the need for talents in different positions.

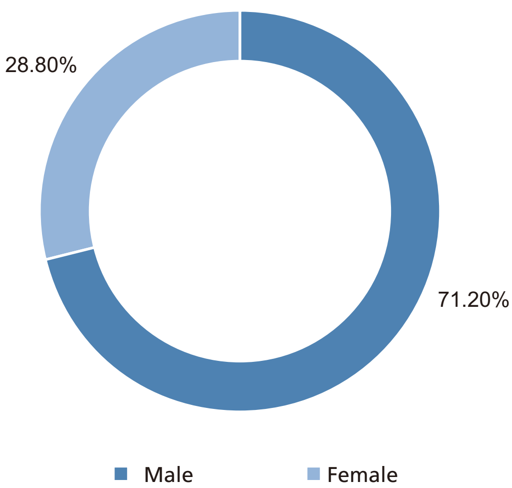
We are fully aware of the importance of systematic training for employees, and constantly offer professional, effective and forward-looking advice on career development and training, so as to create a high-caliber talent pipeline and boost our business. In 2020, in line with the demands of different positions, we provided legal, financial, information and cyber security training for relevant persons in charge of SOHO China; special professional training such as qualifications training for new hires, market analysis and leasing skills for the leasing team; and special training on service awareness, capability and literacy for the asset and property management team.

In 2020, due to the pandemic, SOHO China, via the online knowledge management platform, provided 686 special training sessions of 18 categories, covering 2,977 employees and lasting 596.3 hours in total. The courses received 7,296 views. These figures are solid proof of our remarkable results in training. For each business module, 33 professional skills tests in 13 categories took place, with 22,262 people participating, whose average score was 93.3 points.

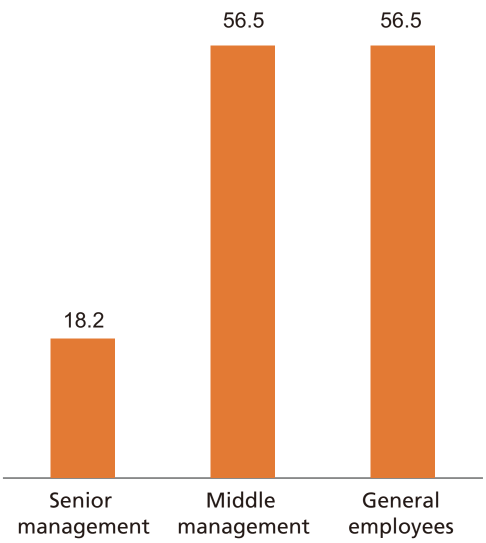
Percentage of Trainees by Employee Category



Percentage of Trainees by Employee Gender



Average Training Hours by Employee Category



- *Knowledge Management Platform*

  SOHO China has utilized the internal online knowledge management platform to provide all kinds of interactive training courses. The platform can effectively improve the flexibility of training, help overcome the limitations of cost, time and place, facilitate employees' autonomous learning experience, improve their learning efficiency, and boost individual capability. Moreover, we have formulated incentive policies for curriculum development and encouraged employees to turn their professional knowledge and personal experience, coupled with their strengths and the demands of their positions, into courseware and mini-lectures. Then they can develop, upload and share relevant courses on the platform. This incentive policy carries forward the spirit of mutual assistance, accumulates industry and professional information for the company, cultivates employees' professionalism, and builds a long-term talent pool.

- *Encouraging employees to study and obtain professional qualifications*

  SOHO China encourages employees to study and obtain degrees and various types of professional qualifications. The group will cover the expenses for the employees in obtaining professional qualifications. To this end, SOHO China has specially formulated the *Provisions* of *Reimbursement of Title Certificate, Qualification Certificate Training by SOHO China* to fully mobilize the enthusiasm of our employees to learn and obtain certificates and provide support to meet the needs of certificates for some positions. The department of human resources will inform employees in advance of the time of various examinations and training to encourage the staff to register for study. The department will also follow up the results of examination and evaluation of each employee. In 2020, under the impact of the COVID-19 pandemic, we have still arranged more than 160 people to participate in the training and review of induction certificates, and have covered the corresponding expenses of more than RMB400,000.

3.5 Caring for Employees

SOHO China has served its employees wholeheartedly, listened to their needs, and cared about their life, workplace happiness and career development. We are committed to creating an honest, united and loving working environment and corporate culture, improve the work environment, care for employees' health, help those in need, and organize cultural activities to make our employees feel that they work in the happy workplace and that they are loved and cared for.

We value communication with staff, and actively understand their needs and true opinions. SOHO China has built a communication bridge between the company and employees to safeguard their legitimate rights and interests through institutional guarantee. If employees are treated unfairly, they can either complain, report and suggest to the superior department, HR department, internal audit department or call the 400 hotline. While ensuring smooth communication channels, we move faster to address the problems.

We have taken multiple measures to ensure a comfortable, clean and healthy work environment for our employees by installing the fresh air system and air purifiers in offices, disinfecting the offices regularly, offering pure drinking water, making the gym available, and refurbishing the offices and staff dormitories. In 2020, we renovated a number of staff dormitories by increasing the space and renewing old equipment, the overall living satisfaction was improved. We hold birthday parties for our employees as well, and their communication is also promoted during the celebrations. With available conditions, we have set up coffee bars or break rooms at all our locations and offered free access to refrigerator, microwave oven, coffee machine, etc. We also have our running teams and football teams, and we hold regular activities for our employees not only to enrich their spare time but encourage them to do more exercise as well. We hold autumn sports meeting each year to get employees from different branches involved. Family members of our employees are welcome as well, and we also organize sports activities and games for both kids and adults. The sports meeting has gained great popularity among our employees. In 2021, we will launch an employee satisfaction survey to collect their feedback so as to make real improvement.

SOHO China has strengthened its care for the health of its employees and their families by purchasing commercial medical insurance for employees and their spouses and children, offering precautionary measures against the cold and heat in winter and summer, and organizing regular medical programs such as medical checkup and tooth washing every year. In addition, we have warned employees to prevent seasonal influenza at the turn of a season, and offered common drugs in the company so that our employees feel warm and cared for.

SOHO China respects female employees and cares about their needs. Pregnant female employees are assigned suitable jobs and allowed to wear comfortable and appropriate casual clothes at work. We also pay attention to their growth in the workplace and work to improve their workplace satisfaction.

4. SUPPLY CHAIN MANAGEMENT

SOHO China has maintained successful partnership with business partners and suppliers at home and abroad for years and has been continuously improving the philosophy and operation of supplier management. With years of experience in managing real estate development and property operation, SOHO China has followed the trend in the global economy. We break the traditional management model of “vertical integration” and gradually build the new model of “horizontal integration” under the brand-new concept of “reciprocity and win-win cooperation”. By integrating the advantages of external enterprises, we have formed the partnership based on “combing advantages” and achieved the goal of reciprocity and win-win cooperation.

4.1 Supplier Management

In order to retain an advantageous position in the fiercely competitive markets, SOHO China is committed to building close strategic partnership rather than the conventional "relationship between Party A and Party B" with our suppliers. We are looking for business partners across the globe and transferring specific businesses to enterprises with corresponding competitive advantages, thus giving full play to their advantages and improving overall competitiveness. For instance, we have cooperated with Zaha Hadid Architects and completed the project of Leeza SOHO, which contains the world's tallest atrium twisting through its center and becomes another landmark in Beijing. This project has also won professional awards of both Chinese and international level. And we have signed strategic agreements with China Mobile, China Unicom and China Telecom to comprehensively upgrade network signal and telecommunication services and vigorously promote 5G business.

Now we are living in the era of Big Data and Information Sharing, in order to promote the cooperation with our suppliers, SOHO China has carried out overall optimization in terms of management mechanism, hardware and software systems, business model, etc. For instance, we have adopted the application of "online registration" to facilitate bidding and business communication for our suppliers. We have carried out the operation of "electronic stamps" to accelerate the process of signing and transferring electronic contracts. And we have enabled the system of "online bidding", allowing a fair competitive bidding process for our suppliers in accordance with their own costs and strategies.

Based on the specific businesses of different enterprises and industries, SOHO China has formulated *SOHO China Measures on the Management of Procurement and Tendering and the Measures for the Management of Suppliers on the Procurement Platform* that fit our own needs. The contents cover a variety of procurement models, including open tendering, tender negotiation, request for quotation, procurement of small-sum and sporadic items, etc. As a result, our suppliers are more willing to cooperate and their channels and scope of sourcing are expanded, which brings to a more efficient and more appropriate partnership.

SOHO China also attaches importance to the safety management of suppliers. We have strict controls on the health and safety risks of the supply chains to eliminate potential dangers. We carry out safety and qualification screening for suppliers in accordance with China's national occupational health and safety laws, regulations and industry standards before granting access. At the same time, we carry out daily safety training and notification of occupational hazards for external suppliers with high-risk operations and see to it that they have implemented the safety and health management in detail.

In terms of sourcing process, SOHO China has defined appropriate qualification standards according to the division and procurement model. We conduct field visits and comprehensive assessments of suppliers that meet qualification criteria and performance requirements. They need to sign the *Supplier Commitment* to guarantee their business reputation. In this way, we can avoid potential risks posed by legal disputes and financial situations to the cooperation between the two parties and select suppliers with strong advantages and good willingness to cooperate. In 2020, there are more than 1,600 newly registered suppliers. For suppliers who fail to meet the requirements, the cooperation shall be suspended. And suppliers with deliberate contract cheating and honesty violation shall be always excluded from cooperation.

In terms of enforcing the contract, according to SOHO China's management mechanism and evaluation methods of contract performance, we carry out an all-round and objective evaluation of suppliers in quality control, after-sales service, progress management, on-site coordination, safe production, service awareness, etc., and the relevant results are used as important references for payment settlement, contract renewal and supplier rating. SOHO China is willing to inform our suppliers of relevant situations. Through on-site communication, letter notifications, meeting interviews, etc., we can conduct case review on specific issues thus figuring out the causes and formulating correction plans to promote mutual improvement.

In order to safeguard the legitimate interests of all parties, promote fair competition and create an honest and friendly environment for cooperation, we have also formulated the *Management Requirements for Blacklisted Suppliers*. Any supplier who conducts collusive tendering, bribery, fraud, malicious breach of contract, causes major incidents, violates relevant laws and regulations, and causes significant losses to our financial interests will be blacklisted, and will be held liable for breach of contract accordingly. In 2020, 15 suppliers have been blacklisted due to collusive tendering, illegal subcontracting and other acts. The list is released in our official website. At the same time, in order to encourage and extend our appreciation to suppliers who have provided their quality service, we select excellent partners and send letters of thanks to those who have made outstanding performance and significant contributions. This list is also released in our official website.

In order to achieve an effective and formal communication between the two parties, SOHO China has specially formulated *Management Measures for Supplier Letters* on the basis of existing contract management. We issue notification letters, interview letters, warning letters, and contract termination letters based on both the progress of contract implementation and the quality of contract performance, in order to strengthen quality control. We issue the first warranty notice, the second warranty notice, and the warranty deduction notice based on the warranty period, in order to make sure our suppliers have effectively fulfilled their obligations and also safeguard our legitimate interests. We also issue notifications of assessment ranking to the outsourcing service units to encourage the improvement of their services. In 2020, there were 209 letters between SOHO China and our suppliers, including:

Quality/process notification letters	21	The first warranty notice	25
Quality/process warning letters	7	The second warranty notice	17
Contract termination letters	12	Warranty deduction notice	3
Notifications of outsourcing assessment ranking	101	Letters of thanks	4
Others	19		

SOHO China has constantly improved the management of suppliers, ensured the fairness and justice of the supply chain, and deepened cooperation with excellent suppliers. On the one hand, we have set up a clear complaint and monitoring mechanism to tackle potential fraud of suppliers. A complaint channel is established for employees and the public on the procurement website. If any suspicious report of corruption turns up, independent full-time personnel will be appointed to investigate. Meanwhile, the audit department and the procurement platform communicate closely with other departments and monitor strictly to eradicate supply chain corruption. On the other hand, we have launched effective incentive measures to promote excellent suppliers to further enhance business ethics, product performance and quality of services. We would seek long-term cooperation with such excellent suppliers.

As of December 31, 2020, the Group's total number of raw material suppliers reached 18,273. Over 90% of the suppliers were located in North China (9,978 in total) and East China (6,646 in total).

Indicator	Number
Total number of suppliers	18,273
Suppliers in East China	6,646
Suppliers in South China	899
Suppliers in Central China	126
Suppliers in North China	9,978
Suppliers in Northwest China	121
Suppliers in Southwest China	168
Suppliers in Northeast China	105
Suppliers in Hong Kong, Macau and Taiwan	144
Overseas suppliers	86

Notes:

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

4.2 Green Procurement

SOHO China has adhered to the concept of green procurement and championed environmental responsibility in the supply chain. Since 2009, all of our new projects have formulated procurement rules according to the Leadership in Energy and Environmental Design (LEED) Gold Standards of the U.S. Green Building Council (USGBC), and specified in bidding documents the standards and requirements for sustainability of building materials. Specifically, during construction, pollution prevention and control, waste management, and utilization of renewable materials and local materials are fully considered; during operation, the use of low-emission materials and the commissioning of the energy system are included in the supplier’s assessment metrics; as for contract performance, relevant standards are strictly implemented to ensure the green operation of suppliers.

We also introduce our green and low-carbon model to suppliers during our cooperation by encouraging them to carry out “paperless office” and “online operation”, so as to improve work efficiency and reduce invalid energy consumption. SOHO China’s strong online platform has enabled suppliers to achieve a quick registration in our official website without the need to submit any paper documents. The whole process of bidding and tendering is carried out through OA system, such as sending and replying letters of electronic tenders. This practice has replaced the conventional bidding and tendering model where a large number of paper documents are needed, thus reducing paper consumption significantly. The online Q&A process has also improved the efficiency of communication between the two parties and reduced time delay caused by document submission. Besides, during the COVID-19 pandemic, holding video conferences to achieve remote interaction and make bid presentations has greatly reduced the risk of cross-infection from close contact, which also reduced carbon emissions and saved the time for travelling.

The concept of green procurement and low-carbon paperless office model promoted by SOHO China have been widely recognized by suppliers. SOHO China is willing to work with our partners to make continuous efforts to boost global low-carbon growth and China’s ecological civilization.

5. RESPONSIBILITY FOR PRODUCTS AND CLIENTS

Offering high-quality services and fulfilling responsibility for clients represent the foundation of SOHO China's long-term development. We are always committed to maintaining high-quality services, focusing on industry developments, promoting technological innovation, safeguarding information and privacy security, and strengthening communication with customers. Therefore, we have won our customers' long-term trust and made our brand better recognized in the industry.

5.1 Improving Industry Efficiency

As a leading developer in commercial property, SOHO China has closely followed industry developments and technological innovations and made proactive efforts to encourage the application of technological outcomes, so that the industry ecosystem will enjoy effective and sustainable growth powered by new technology.

- *The Free 5G Lab*

  In 2020, 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 pay on-site visits for free and to become the first to experience high-quality 5G smart services. The lab displays eight major application scenarios: 5G + smart buildings, 5G + smart perception, 5G + blockchain, 5G + smart healthcare, 5G + UHD videos, 5G + security, 5G + virtual reality 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.

- *Leeza SOHO's BIM Management System*

  As the eighth project of SOHO China that adopts a BIM (Building Information Modelling) design, the BIM system of Leeza SOHO is more complete. It has integrated BIM building model, 5G IoT, cloud computing and other technologies to achieve the digital integrated system of an all-round operation and management. Its 3D building modelling has realized the graphical view of lettings and rental information, energy management, equipment and facilities, security management, environmental quality and basic building information. The intelligent building system also has functions of real-time status monitoring, abnormal automatic alarm, automatic dispatch of work orders, information archiving management, etc., which creates an operation and management platform for policy formulation, management and implementation with all-round support.

5.2 Protection of Intellectual Property Rights

SOHO China has rigorously followed national laws and regulations, 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*, and formulated internal terms of use and implementation requirements of brand and logo to regulate advertising in the headquarters, subsidiaries and branches.

SOHO China has actively applied for exclusive rights to use new registered trademarks according to its business needs, established a legal management platform to manage trademarks, and updated trademark information and status in time. The legal management platform will remind us to make preparations for the extension of the expired trademarks and go through the renewal procedures in advance. The company's trademark and other intellectual property related matters will consult the intellectual property management department for registration, extension, application and legal affairs. In 2020, SOHO China filed for two computer software copyright registrations, which had been approved, and we obtained the computer software copyright registration certificate.

SOHO China has promulgated, in our contract with a third party, and detailed agreement on intellectual property rights including software development and scheme design to avoid the infringement of our intellectual property rights and interests. As for major contracts, we have added confidentiality clauses, and required suppliers to sign a confidentiality agreement at the initial stage of the project. Regarding fraudulent use of trademarks, the Company will investigate through cooperation with external suppliers to screen any trademark fraud and set up relevant channels for complaints to avoid trademark fraud. As of the release of the report, SOHO China reported zero lawsuit regarding trademark and intellectual property.

5.3 Improving Property Services

SOHO China has kept improving its services to maintain high-quality property services across the industry and remains committed to achieving shared progress with our customers.

SOHO China, in line with our conditions, has formulated and implemented the *SOHO Property Company's Management Policy for Contract Performance*, the *SOHO China Policy for Property Land Management*, the *Customer Service Management Manual, the Management Measures for the Inspection and Evaluation of Property Quality*, the *Management Measures* on *Admission Procedures for Outsourced Personnel, etc.,* and set our quality of property services at a higher standard than the national requirement and industry peers, in order to improve quality, safety and customer satisfaction.

SOHO China continues to increase the investment to promote the construction of software and hardware and the upgradation of rules and regulations in order to improve the quality of property services and customer experience.

- *Customer Service in Work Orders*

  The daily repair, advice and complaints of our customers on property services are carried out in the form of work orders. Each order is conducted by an individual. In this way, the quality of services and the working efficiency can both be improved.

  Once receiving the repair request from our customer, we will dispatch the repairman to arrive within 15 minutes. And the complaints we received will be handled within 1 working day. The follow-up service as well as the daily door-to-door visits are all carried out n the form of work orders. And we can conduct management through the platform of customer services.

- *Smart Cleaning of the Properties*

  SOHO China has always been committed to improving the quality of property services. We have made efforts to introduce new technologies into the on-site work. In 2020, 29 smart cleaning robots have been deployed in 9 projects to conduct floor cleaning and sterilization on the inside and outside of buildings. With the integrated functions of scrubbing and drying the floor, decontamination, as well as sterilization, these robots have improved the quality of cleaning services greatly and increased the cleaning frequency. For example, outdoor floor scrubbing service carried out by human was conducted once a week, and now the cleaning frequency has been increased to seven times a week. This has greatly improved the environmental qualities of the properties. At the same time, robots that conduct automatic cleaning services in silence have improved the image of the project.

- *Open and Fair broadband Access for Buildings*

  SOHO China attaches great importance to the fair access to broadband service of our customers. Since 2014, we have established strategic partnerships with China Mobile, China Unicom, and China Telecom, allowing our customers freedom to choose the telecommunication service provider. Later we have also introduced a number of secondary telecommunication service providers through public tenders. We have formulated the *Management System for Telecommunication Service Providers* to eliminate improper competition and monopolies in broadband access, so as to provide an open and fair broadband access environment for our customers.

- *Internet Signal Guarantee System*

  SOHO China has been closely focusing on the trend of technological development and has regarded the quality of indoor mobile phone signals and network signals as an important indicator for building services. After consultations with the three major telecommunication service providers, we have decided that since 1 January 2016, the mobile phone signal and network download speed of all the projects included in SOHO's official Weibo account will be ranked every month. We have also built teams including the General Managers of the three major telecommunication service providers as well as the WeChat working groups of the on-site managers. Any unusual conditions related to signal and network should be reported and handled in time. This practice has greatly improved the Internet signal quality of SOHO China projects.

- *Inspection of Outsourced Services*

  SOHO China has hired professional security, cleaning and greening companies to provide specific services and implemented local management and assessment for all the staff. The quality department of our group evaluates and grades all the services every month. And the results will be ranked and made public as the criteria for service quality evaluation. In addition, we also have regular inspections of the performance of the outsourcing contracts to find potential hazards in a timely manner, improve the quality of services, and protect the legitimate rights and interests of the property owners and customers.

- *Inspection of Property Qualities*

  The quality department of SOHO China is responsible for the inspection of property qualities. Irregular inspections and special inspections are conducted every month, taking the form of on-site observation, inquiries, and viewing records. The inspection also records audios, videos, photos and texts to ensure the results are comprehensive, objective and transparent.

  According to the *Quality Inspection Management Measures* (which will be updated depending on the actual conditions), the inspection covers customer services, environmental management, equipment and facility management, security services, identification management, basic management, problem correction, OMS management, smoking control management, basic Internet signals management, etc. Each indicator is graded according to the results of inspection and are directly counted into evaluation.

5.4 Safeguarding Information Security

SOHO China has attached great importance to information and cyber security, worked hard to protect the personal information and privacy of every customer, and constantly improved the management system, normalized employees' information use in order to improve their awareness of information security.

- *System Construction*

  SOHO China has strictly followed the *Civil Code of the People's Republic of China*, the *Cyber Security Law of the People's Republic of China, the Regulations on the Management of Information Services on Mobile Internet Applications*, the *Regulations on the Technical Measures for Internet Security and Protection* and other laws, regulations and administrative rules. We have established the *SOHO China IT Management System and the IT Information Security Management System*, which stipulate that the data and information of customers shall be treated as confidentiality.

  The *SOHO China IT Management System* clarifies a detailed description of the data security behavior of all our employees. The document states that all our employees should keep company documents confidential and are prohibited from unauthorized transmission of any information containing company secrets to individuals or institutions outside the company. The document also defines the data security behavior of employees from their entrance to their leaving of the company.

The *IT Information Security Management System* defines specific measures of information security and describes the requirements of technical security, including physical environment security, network communication security, equipment security, application security and data security. The document also defines requirements on management security, including security system, organizational personnel, security construction and security operations.

- *Physical Security and Equipment Security*

  The *Warehouse Security Management System* and *Server Security Management System* clearly define regulations for the location of information equipment and physical environment, as well as the operation of corresponding personnel, thus ensuring the security of the entire information system.

- *Network and Communication Security*

  The *Network Security Management System* and *Server Security Management System* state the security configuration for the network and the server. In 2020, we added new configuration of situation-aware devices for dedicated network security, therefore further refining the classification and division of different security areas and optimizing the firewall/VPN/behavior management/load balancing and other devices. We also achieved security monitoring within and between our network while ensuring the efficiency.

- *Application Security*

  The Account Security Management System and Client Security Management System define the security regulation of application behaviors. Most of SOHO China's systems are running on the internal network and are separated from the Internet in terms of gaining access. Meanwhile for access to important business systems, we also adopt application-level security measures such as SSL encryption, restrictions on data flow direction, etc.

- *Data Security*

  Data security is the core of information security. As a result, SOHO China has developed the special *Data Security Management System* to classify all kinds of data information according to the level of importance. The business system is divided into four levels: core, important, general, and testing. We also set the corresponding data backup plan and emergency mechanism, thus achieving a reasonable combination of online/offline backup and on-site/off-site backup, in accordance with different backup frequency and data retention time, thus ensuring the security of important systems and data. In addition, SOHO China conducts quarterly emergency drills for business system scenario to ensure the availability of backup data, emergency procedures available, and personnel operations.

To ensure the secure use of data, SOHO China has stored all important electronic data in the business systems that generate this data and established a strict permission control mechanism for data access through hierarchical permission management and account role authorization to protect the privacy of customers. In addition, the critical data exist in the company's intranet, which can only be accessed through VPN outside of the company, thus ensuring the security of the access process. Paper data are stored in the archives, so employees need to get approval from the company's digital archives system before they are authorized to read a file, and the access history is left in the system, so as to better protect customer data and avoid the legal risk caused by the disclosure of customer information. In 2020, SOHO China recorded zero lawsuit related to customer privacy disclosure.

- *Other Security Measures*

Most systems in SOHO China have been virtualized, and through the combination of Alibaba Cloud/Tencent Cloud and our self-built private cloud, the security system of public cloud has been fully utilized, thus providing additional security for the system. In 2021, in respond to the government's proposal of electronic special invoices, we will gradually virtualize the fiscal and taxation system.

Furthermore, SOHO China will engage external audit bodies to conduct supervision on the information management system to ensure its operation and security. To avoid the loss of information, SOHO China's important data have corresponding encrypted backup mechanism to ensure the security and eliminate the risk of illegal access to data out of the business system.

5.5 Customer Satisfaction Survey and Complaints Handling

The call center of SOHO China conducts customer satisfaction surveys once a month. For existing customers in certain project, our staff make follow-up calls and invite them to evaluate the service attitude and business capabilities of the project employees. Suggestions from customers will be recorded and tracked to collect customer satisfaction points. If any fluctuations are discovered in the satisfaction level, relevant staff will carry out immediate investigation and analysis to improve our property services. The average customer satisfaction points for each project in 2020 is 99.15 (with the total points of 100).

At the same time, since 2020, SOHO China has hired a third-party company to conduct a customer satisfaction survey twice a year. By investigating the status quo of property project services from the aspect of customer experience, we can find out the deficiencies of our project services therefore improving the service capacities and customer experience. We get started from the customer experience and develop a quantitative survey to grade each project, which includes secret inspection by mystery customers.

Inspection of mysterious customers cover 8 first-level indicators, including telephone services, parking management, security management, reception customer services, property center customer service, renting experience service, indoor environment, outdoor environment, etc. These 8 first-level indicators are broken down into 113 third-level indicators with grades. Each project is inspected and reported independently. The project performance will be quantified through the standardized grading system, with suggestions on service improvements included in the report.

The average mysterious customer satisfaction points for each project in 2020 is 95.35 (with the total points of 100). For each report, the one-on-one communication will be carried out which excludes the general manager in charge of the project. After the agreement on the improvement method is reached, a report should be made at the regular meetings of all the general managers, thus improving the awareness and capabilities of providing better services for all projects.

Item	2020 Data
Customer Complaints (Times)	33
Existing Customer Satisfaction (Points)	99.15
Mysterious Customer Satisfaction (Points)	99.35

In addition, all of our property companies also conduct an on-site revisit to customers in the first half of each year, using questionnaires to collect customers' feedbacks on satisfaction with property employees and their services. The questionnaire covers 22 aspects of 8 items on employee service and management. The result has combined feedbacks from online revisits as the primary basis for customer service evaluation. For any unusual issues mentioned in the questionnaire, the property staff will arrange a follow-up revisit to solve the problem.

Besides, SOHO China has established a national call center, and collected customer feedback, questions, complaints and suggestions via Sina Weibo monitoring and hotline mail service to handle customer service needs at any time. When a customer contacts the call center, the service staff will first make a proper response, generate a work order of complaint, and immediately send the problem to the responsible department, which will then follow up, verify and deal with the problem in a timely manner. It is stipulated that the time limit for handling complaints is one working day. After the project manager settles the complaint, he/she needs to fill in the suggestion work order and return it to the call center. After that, the call center will make a follow-up investigation on the handling results to confirm that the complaints are settled. The important complaints will be transported to senior management, who will intervene, follow up and address the problem. In 2020, the call center handled 35 customer complaints, including 20 by phone, 13 by email and 2 by Sina Weibo. Upon verification, 33 were valid and 2 invalid. All the complaints have been sent to the project manager for follow-up. Moreover, the call center has also made follow-up calls, and the customers are all satisfied with the result.

5.6 Protection and Care for Customers during COVID-19

In early 2020, the sudden outbreak of COVID-19 has brought unprecedented impact on global economy. Many industries were shut down and some of our customers also encountered difficulties in business running. Facing such severe conditions, as an office building service provider, SOHO China has, on the one hand, implemented strict epidemic prevention and controls to protect each of our customers, on the other hand, the group has introduced corresponding subsidies to special industries that are seriously affected and has worked with customers together to overcome the difficulties.

Protection for customers: with the mature property management system, SOHO China has stood out and delivered great performance in the epidemic prevention and control of office buildings. We have carried out effective experiences in the prevention and control of the epidemic, including building access management, daily sterilization, AC system operation, garbage classification, etc. Not a single suspected or confirmed case was discovered in our commercial buildings of about 4.3 million sq.m. in Beijing and Shanghai. SOHO China has also shared these experiences with its counterparts in China and other countries around the world, hoping to help industries get back on track as soon as possible.

Care for customers: During the COVID-19 pandemic, SOHO China has provided subsidies to our customers amounting to RMB109.54 million, aimed at reducing operating costs for the customers by lowering the rents, as well as contributing to accelerate the recovery of the domestic economy. For the existing customers, we have carried out visits to learn about their operating difficulties in depth. For customers of specific industries and in specific areas that were seriously affected by the outbreak, we have introduced flexible and effective subsidies, including the reduction of rent and the extension of rent payment. Throughout 2020, SOHO China has reduced rent by RMB56.6 million in total, thus providing effective support to our customers.

5.7 Enhancing Communication with Customers

In order to enhance the communication with the customers and provide better services, SOHO China has sent present and bonuses to our customers during the holiday season in 2020. By conducting various activities, the communication with our customers has been effectively promoted.

Case: Taxi coupons, especially for you

The first half of 2020 has witnessed the severe condition of COVID-19 pandemic, and the safety of the daily commute has become a concern for many of our customers working in the office buildings. In this regard, SOHO China has collaborated with AutoNavi, Didi and other companies and launched exclusive taxi coupons for our SOHO building customers.

Case: Welfare Day on September 9

On September 9, 2020, SOHO China Foundation launched the campaign of “Donate a Literacy Class to Children in Mountainous Areas”. We have put up posters in our buildings and post online information through social media to promote this campaign and get our customers involved. In the end, a total of about 10,000 customers and netizens have participated and expressed our love and care to the left-behind children in mountainous areas.

Case: Mid-Autumn Day with You

In September 2020, SOHO China Property sent wishes to the customers to celebrate the annual Mid-Autumn Festival. We have prepared various activities and gifts, including Solving Mid-Autumn Festival Lantern Riddles, Making Wishes and Blessings, etc. We also organized shows and performances to create the strong festive atmosphere for our customers.

Case: Happy Thanksgiving

On Thanksgiving 2020, SOHO China held an event themed "2020 is not easy, I want to say thank you" for the public to appreciate their thankfulness in this tough year. We took pictures in many of our SOHO buildings and offer free postcards for the customers. About 10,000 customers participated in this event. The postcards filled out with blessings and wishes were all sent by the staff of SOHO.

Case: Christmas Eve Gifts from SOHO

In December 2020, many of our property companies prepared apples and Christmas gifts to our customers. At the same time, our company staff were dressed up as Santa and sent sincere blessings, wishing good health and happiness for our customers as well as love and peace for the world.

6. ANTI-CORRUPTION

SOHO China has upheld a corporate culture of "honesty, solidarity and innovation" and put "honesty" first to boost development. The company 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 company has also formulated and improved a series of management rules on anti-corruption, anti-bribery, internal control and compliance management, including the *SOHO China Code of Professional Ethics*. These regulations shape the management requirements for our anti-corruption and clean-governance work. In 2020, we launched training and publicity campaigns, improved risk control measures concerning complaint settlement and follow-up, and promoted employees' awareness to perform their duty. Such efforts help eradicate corruption and abuse of power. In 2020, SOHO China registered zero violation of the anti-corruption code.

6.1 Enhancing Professional Ethics

SOHO China has formulated the *Employee Handbook*, which specifies the requirements and guidelines related to the prevention of bribery, extortion and fraud, and professional ethics policies, to convey the anti-corruption and anti-fraud requirements to employees and offer guidance on business operations and operating duties. Every employee of the company has signed the *Employee Handbook* to show that he/she understands the regulation of "avoiding improper payment". The *Handbook* and SOHO China internal policies are reviewed and updated according to the latest laws and regulations.

SOHO China has leveraged education and training opportunities of employees to eliminate fraud and corruption within the company. The company carries out monthly professional ethics training for new employees and organizes annual anti-corruption and compliance training. The training covers anti-corruption, anti-unfair competition, anti-bribery (and the relevant criminal law), anti-money laundering, conflict of interests, gift and entertainment, laws and regulations, and *SOHO China Code of Professional Ethics*. It explains improper payment and anti-bribery in the Employee Handbook, emphasizes the importance of integrity and the severe impact of corruption on employees' career by combining audit cases, and reiterates the company's seriousness toward corruption and bribery.

SOHO China organizes special audit on businesses every year to prevent corruption, extortion and fraud.

6.2 Complaint Settlement and Follow-up Measures

SOHO China has built an effective and smooth reporting system, launched a complete complaint settlement channel, and taken timely follow-up measures to ensure the communication among the company, customers and suppliers and further improve our anti-corruption management capability.

SOHO China has established a well-designed reporting channel, and the relevant internal reporting procedures are clearly explained in the *Employee Handbook* and employee training sessions. The third party can also report the company's violations via the hotline and email address published on the portal. Employees can report improper behaviors to the leaders of their competent departments or to the Human Resources Department, Legal Department and Internal Audit Department through telephone, email and letter. Once the complaints are confirmed, the company will deal with them seriously and show zero tolerance for corruption. Employees can also report the misconduct or suspicious business of other employees or suppliers (including commercial bribery, embezzlement, fraud, conflict of interests, falsification of financial data, and abuse of assets). After receiving the information, the company will protect the informant by keeping his/her telephone number, email address, company or department strictly confidential. If the complaint is confirmed true, the company will conduct a special investigation into the illegal acts found in the audit process.

In 2020, SOHO China recorded zero severe violation of the code of integrity. With the development of business, the company will further improve the anti-corruption system, strengthen supervision, and expand publicity, which can effectively enhance the anti-corruption awareness of employees at all levels, and create a sound environment against corruption and fraud.

7. CONTRIBUTING TO COMMUNITY DEVELOPMENT

SOHO China has focused on giving back to the society, supporting the construction of harmonious communities, and contributing to poverty alleviation, disaster relief and education. In 2005, SOHO China Foundation was established in Beijing to promote social and intellectual growth.

7.1 SOHO China Scholarships

In 2014, SOHO China has launched a SOHO China Scholarship which provides financial aid to Chinese students in top international universities. The Foundation has signed donation agreements with Harvard, Yale and the University of Chicago. Grants of the Scholarship are awarded annually by those institutes. By 2020, 222 grants have been awarded, benefiting 90 Chinese undergraduate students in total.

7.2 Promoting Net Zero Emissions

In 2016, SOHO China joined the Breakthrough Energy Coalition, which was led by Bill Gates and founded by 28 business leaders from the world's top technology, Internet, industrial and investment groups. The Coalition invests in the production and storage of electricity and has been committed to improving electricity efficiency so as to promote the transition to a future with "net zero carbon emissions". SOHO China has made a commitment of USD20 million in the ongoing investment. By 2020, 38.17% of the project has been achieved.

7.3 Contributing to Education

Supporting Education in Remote Western Mountainous Areas

In 2020, SOHO China Foundation continued to support the construction of schools and care for the study and life of students in remote areas. We donated school uniforms and stationery to the students and teachers of Panjizhai School in Tianshui, Gansu Province; tested the eyesight of all the students and donated glasses to those short-sighted; donated 120 sets of desks, chairs and cabinets; and commended the excellent teachers. Meanwhile, the Pan Shiyi Public Welfare Photography Studio was set up in Qisheng Middle School in Tianshui, Gansu Province. More than 30 cameras and computers were donated, and photographers were invited to teach online every week.

In 2019, SOHO China Foundation built a non-profit bilingual kindergarten by investing RMB30 million in Shizui Village, Mapaoquan Town, Maiji District, Tianshui City, Gansu Province. In January 2020, the kindergarten was completed. In October 2020, the kindergarten officially opened, and the Foundation entrusted Beijing Family Learning House Education Group to operate and manage the kindergarten. As of the end of 2020, 101 children are studying here.

The Foundation has actively sought external cooperation and received public support and sponsorship from many companies. It has cooperated with Tencent Education and VIPKID to provide free online English courses for children in mountainous areas. It has joined hands with Dangdang.com to give thousands of cartoons and books to children and teachers for free. It has also donated RMB200,000 worth of science courses for the kindergarten in partnership with Beijing Rainbow Foundation. In addition, it has also cooperated with many other companies to provide school uniforms and stationery for the children. It is estimated that by September 2021, 180 children will be admitted to the kindergarten. SOHO China will continue to support kindergartens in the future, ensure the access of local school-age children to kindergartens, export excellent education resources to poor areas, and improve the preschool education level in the region.

Kindergarten in Shizui Village, Mapaoquan Town,
Maiji District, Tianshui City, Gansu Province

7.4 Caring for the Vulnerable

SOHO China cares for the vulnerable and continues provide them with material and spiritual support.

"One Family" Restaurant

In 2020, SOHO China has invested RMB400,000 to set up the "One Family" restaurant in Shiju Village, Maiji District, Tianshui City to provide free lunches to people over the age of 80. "One Family" restaurant was officially open on November 7, 2020 and has benefitted 22 elderly people by the end of 2020.

Special Olympics Unified Schools

SOHO China Foundation has worked together with Shanghai Special Care Foundation to conduct public welfare projects in 2020. With the purpose of serving the disabled as well as promoting Special Olympics, the two parties have made contributions to enhancing the self-esteem and self-confidence of the disabled, including improving their physical, mental and spiritual conditions so as to help them better integrate. By 2020, the total donation has reached RMB6.5 million.

7.5 COVID-19 Pandemic Relief

In 2020, the COVID-19 pandemic hit every part of the world and people from all walks of life faced serious challenges. SOHO China responded quickly, aided the relief effort, and fulfilled its corporate social responsibility. During the pandemic, SOHO China Foundation launched a series of donation campaigns, such as donating 2,000 nucleic acid testing kits worth of RMB120,000 to Huangshi Centers for Disease Control and Prevention; N95 respirators and negative pressure masks to the Wuhan aid team of Peking Union Medical College Hospital; 1,373 boxes of Tianshui Huaniu apples worth of RMB200,000 to seven hospitals in Wuhan through the Red Cross of China; and RMB60,000 to COVID-affected areas in Italy through Hubei Changjiang Conservation Foundation. These donations showcase SOHO China's corporate social responsibility.

SOHO China Foundation Donates Apples to Aid Wuhan

7.6 Targeted Poverty Alleviation

SOHO China Foundation has made joint efforts with Jianwai Street, Chaoyang District, Beijing. The two parties together have donated RMB100,000 to Yangyuan County, Zhangjiakou and Hotan Prefecture, Xinjiang.

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately RMB2,192 million during the Year, representing an increase of approximately 19% as compared with approximately RMB1,847 million in 2019.

Profitability

The Group achieved profit before income tax of approximately RMB1,600 million during the Year, representing a decrease of approximately 17% as compared with approximately RMB1,919 million in 2019.

Cost control

Selling expenses for the Year were approximately RMB37 million, compared with approximately RMB32 million in 2019. Administrative expenses for the Year were approximately RMB214 million, compared with approximately RMB238 million in 2019.

Finance income and expenses

Finance income for the Year was approximately RMB63 million, representing a decrease of approximately RMB17 million as compared with approximately RMB80 million in 2019.

Finance expenses for the Year were approximately RMB915 million, representing an increase of approximately RMB233 million as compared with approximately RMB682 million in 2019, mainly because interest expenses were not capitalized as there were no projects under development during the Year.

Valuation gains on investment properties

During the Year, the valuation gains were approximately RMB1,100 million, compared with approximately RMB1,168 million in 2019.

Income tax expense

Income tax expense for the Year was approximately RMB1,057 million, representing an increase of approximately RMB458 million as compared with approximately RMB599 million in 2019, mainly due to a one-off tax expense recognized by the Group during the Year.

Bank borrowings, other borrowings and collaterals

As at 31 December 2020, total borrowings of the Group was approximately RMB18,470 million, of which approximately RMB1,012 million were due within one year, approximately RMB1,660 million were due after one year but within two years, approximately RMB3,676 million were due after two years but within five years, and approximately RMB12,122 million were due after five years. As at 31 December 2020, borrowings of the Group of approximately RMB17,760 million were collateralized by the Group's investment properties.

As at 31 December 2020, net gearing ratio was approximately 43% (as at 31 December 2019: approximately 43%), calculated based on net debt (total borrowings – cash and cash equivalents – bank deposits and structured bank deposits) over equity attributable to owners of the Company.

Risks of foreign exchange fluctuation and interest rate

As at 31 December 2020, offshore borrowings were approximately RMB710 million, accounting for approximately 3.8% of total borrowings of the Group. The Company's average funding cost remained relatively low at approximately 4.7% as at 31 December 2020. 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

The Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans offered to buyers of property units. As at 31 December 2020, the total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB72 million as at 31 December 2020 (as at 31 December 2019: approximately RMB112 million).

Capital commitment

As at 31 December 2020, the Group's total capital commitment was approximately RMB78 million (as at 31 December 2019: approximately RMB106 million).

Employees and remuneration policy

As at 31 December 2020, the Group had 1,714 employees, including 1,531 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.

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 2020 are set out in the audited consolidated financial statements.

The Board resolved not to declare a final dividend for the Year (2019: nil).

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:

	2020	2019	2018	2017	2016
Unit: RMB'000					
Revenue	**2,191,637**	1,847,091	1,720,860	1,962,610	1,577,215
Profit before income tax	**1,600,066**	1,919,195	2,957,422	8,325,644	1,999,350
Income tax expense	**(1,056,600)**	(599,169)	(1,008,774)	(3,534,103)	(1,090,610)
Profit for the year	**543,466**	1,320,026	1,948,648	4,791,541	908,740
Profit attributable to:					
Owners of the Company	**535,604**	1,331,193	1,924,966	4,733,481	910,232
Non-controlling interests	**7,862**	(11,167)	23,682	58,060	(1,492)
Basic earnings per share (RMB)	**0.10**	0.26	0.37	0.91	0.18
Diluted earnings per share (RMB)	**0.10**	0.26	0.37	0.91	0.18
Interim dividend per share (RMB)	**–**	–	–	–	–
Final dividend per share (RMB)	**–**	–	0.03	–	–
Special dividend per share (RMB)	**–**	–	–	0.922	0.536

Consolidated statement of financial position as at 31 December:

	2020	2019	2018	2017	2016
Unit: RMB'000					
Non-current assets	**65,519,879**	64,346,629	61,027,478	59,015,582	58,263,115
Current assets	**5,184,356**	5,382,387	9,071,567	12,201,960	9,142,730
Current liabilities	**6,006,594**	6,847,605	8,994,514	12,011,751	12,813,107
Non-current liabilities	**27,150,628**	25,765,272	25,311,094	25,478,494	18,945,061
Net assets	**37,547,013**	37,116,139	35,793,437	33,727,297	35,647,677
Share capital	**106,112**	106,112	106,112	106,112	106,112
Other reserves	**36,522,962**	35,964,422	34,640,698	32,598,240	34,432,900
Total equity attributable to owners of the Company	**36,629,074**	36,070,534	34,746,810	32,704,352	34,539,012
Non-controlling interests	**917,939**	1,045,605	1,046,627	1,022,945	1,108,665
Total equity	**37,547,013**	37,116,139	35,793,437	33,727,297	35,647,677

SHARE CAPITAL

As at 31 December 2020, the Company had 5,199,524,031 shares in issue (as at 31 December 2019: 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 Company's 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 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 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. Pan Shiyi and Mrs. Pan Zhang Xin Marita has entered into a new service contract with the Company for a term of three years commencing from 1 January 2021. 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 Company's articles of association, Mrs. Pan Zhang Xin Marita and Mr. Huang Jingsheng 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.

BIOGRAPHIES OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Executive Directors

Mr. Pan Shiyi

Chairman of the Board

Mr. Pan Shiyi (**"Mr. Pan"**), aged 58, 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 University, Yale University, and the University of Chicago, supporting Chinese students pursuing undergraduate degrees at both universities. In 2020, he also founded a bilingual kindergarten by donating RMB30 million in China's northwest region.

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 55, 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 Shiyi established the SOHO China Foundation, a charity organization that promotes education to improve social mobility. In 2014, the SOHO China Foundation launched the SOHO China Scholarships, a US$100 million initiative providing financial aid for Chinese students at leading international universities. SOHO China Foundation have signed agreements with Harvard University, Yale University and The University of Chicago, supporting Chinese students pursuing undergraduate degrees.

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

Independent Non-executive Directors

Mr. Sun Qiang Chang

Mr. Sun Qiang Chang (**"Mr. Sun"**), aged 64, 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 the China Real Estate Developers and Investors' Association (CREDIA). Mr. Sun is also a member of the Board of Governors of the Lauder Institute at the Wharton School and a member of The China Entrepreneur Club. Mr. Sun serves as a non-executive director of Phoenix Media Investment (Holdings) Limited, which is listed on the main board of the Stock Exchange. Mr. Sun acts as an independent director of GDS Holdings Limited, which is listed on the Nasdaq Global Market in the United States and 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 56, 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. Xiong acts as an independent director of Telling Telecommunication Holding Co., Ltd., which is listed on the Shenzhen Stock Exchange.

Mr. Huang Jingsheng

Mr. Huang Jingsheng ("Mr. Huang"), aged 63, is an independent non-executive Director. From July 2014 to June 2020, Mr. Huang acted as Managing Executive Director at Harvard Center Shanghai ("Harvard"). He came to Harvard from a distinguished venture capital and private equity career. Most recently, Mr. Huang was Partner of TPG Growth 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 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, Co-founder/Vice President of Marketing at Mtone Wireless and English Lecturer at Communication University of China. Before joining Harvard, Mr. Huang served as member of the Board of Governors at China Venture Capital Association 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 from May 2010 to June 2019, which is listed in the main board of the Stock Exchange. Mr. Huang serves as a non-executive director in Yiren Digital Limited, which is listed in the New York Stock Exchange.

Senior Management

Ms. Ni Kuiyang

Chief Financial Officer

Ms. Ni Kuiyang, aged 43, 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 49, 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 49, 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 44, 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.

Ms. Huang Hongyu
Vice President
Ms. Huang Hongyu, aged 50, is our Vice President. She is in charge of the company's management of platform information, design, and procurement. Ms. Huang joined the Company in September 2006, and acted as Electromechanical Director, Chief Engineer, Director of Platform Management Center and Vice President. Ms. Huang received here Master's Degree in Heating and Ventilation from Tianjin University in 1995, and her Doctor's Degree in Architectural Engineering from Concordia University in Canada in 2003. She possesses more than 20 years of experience in designing and management of platform information.

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 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 22 May 2020 (the "2020 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 2020 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	3,360	–	40	285	35	3,960
Pan Zhang Xin Marita *(Chief Executive Officer)*	240	1,069	–	–	100	–	1,409
Independent non-executive Directors							
Huang Jing Sheng	297	–	–	–	–	–	297
Xiong Ming Hua	297	–	–	–	–	–	297
Sun Qiang Chang	297	–	–	–	–	–	297
Total	1,371	4,429	–	40	385	35	6,260

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 2020 is as follows:

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

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

As at 31 December 2020, 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 2020, 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 2020, 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 2020, 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 2020.

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 2020, 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

At no time during the Year were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, nor were there any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable any Directors to acquire such rights in any other body corporate.

PERMITTED INDEMNITY PROVISION

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

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

EQUITY-LINKED AGREEMENTS

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.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions entered into by the Group in the ordinary course of business during the year ended 31 December 2020 are set out in note 28 to the consolidated financial statements. The Board confirms none of the related party transactions as disclosed under note 28 to the consolidated financial statements fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2020, 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 2020, 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 52 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 "Financial Information Summary" on page 56 of this annual report. In addition, relationships with its key stakeholders are provided in the Directors' Report on page 54 and page 68 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 70 to 84 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

Following the expiry of the vesting period of the employees' share award scheme of the Company (the "Employees' Share Award Scheme") in November 2019, the trustee of the Employees' Share Award Scheme sold on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") all remaining 2,366,063 unvested shares under the Employees' Share Award Scheme at a total consideration of approximately HKD7,094,853 during the Year

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.

AUDITOR

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

On behalf of the Board

Pan Shiyi
Chairman
Hong Kong
25 March 2021

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 2020, 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 SHAREHOLDERS' MEETINGS

The Company held four Board meetings and the 2020 AGM during the year. Directors' attendance records at Board meetings and the 2020 AGM are set out below:

Directors	Attendance/ No. of Board Meetings	2020 AGM
Executive Directors		
Pan Shiyi	4/4	1/1
Pan Zhang Xin Marita	4/4	0/1
Independent Non-executive Directors		
Sun Qiang Chang	4/4	0/1
Xiong Ming Hua	4/4	0/1
Huang Jingsheng	4/4	0/1

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 2020, 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 2020 and the audited consolidated annual results of the Company for the year ended 31 December 2020 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 2020, 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 2020 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 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 2020, 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.

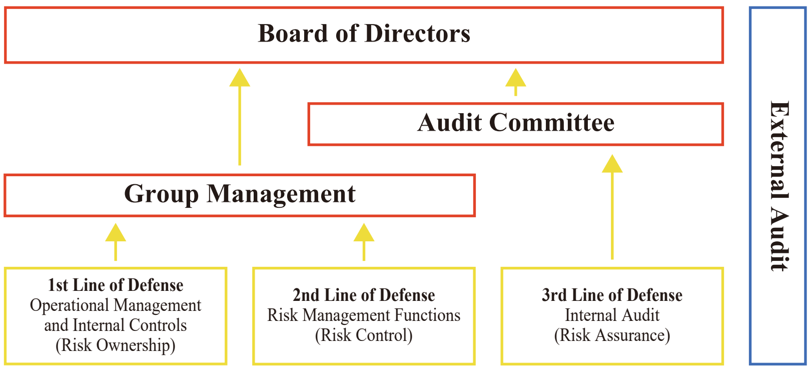
RISK MANAGEMENT AND INTERNAL CONTROL

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.

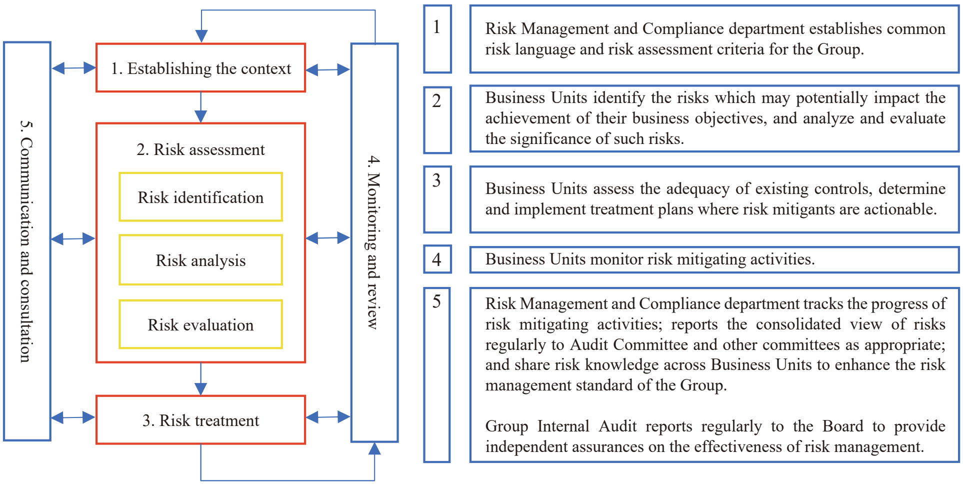
The Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material 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 2020, 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 2020, 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 2020, remunerations paid and payable by the Group to its auditors for the provision of statutory audit services and non-auditing services amounted to RMB3.8 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	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3, Building D P.O. Box 1586, Gardenia Court, Camana Bay 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 The Hong Kong and Shanghai Banking Corporation Limited Standard Chartered Bank (Hong Kong) 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 90 to 164, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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 12 to the consolidated financial statements. The Group's investment properties were measured at fair value and carried at RMB63,367 million as at 31 December 2020 with a revaluation gain of RMB1,100 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 valuation of investment properties 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 inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We involved our internal valuation experts and performed following procedures in this area: • We obtained an understanding of the management's internal control and assessment process of valuation of investment properties. • 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum of investment properties to the consolidated financial statements and the relevant key assumptions applied in valuation involved significant judgements and estimates.	• We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, rental per square meter, estimated price 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. 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, actions taken to eliminate threats or safeguards applied.

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 Chong Heng Hon.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

Consolidated Income Statement

		Year ended 31 December	
		2020	2019
	Notes	**RMB'000**	RMB'000
Revenue	*5*	**2,191,637**	1,847,091
Cost of sales	*6*	**(801,399)**	(336,650)
Gross profit		**1,390,238**	1,510,441
Valuation gains on investment properties	*12*	**1,099,804**	1,168,488
Other income and gains	*8*	**465,567**	481,704
Selling expenses	*6*	**(37,063)**	(31,751)
Administrative expenses	*6*	**(214,463)**	(237,747)
Other operating expenses	*6*	**(252,009)**	(369,572)
Operating profit		**2,452,074**	2,521,563
Finance income	*9*	**63,366**	80,032
Finance expenses	*9*	**(915,374)**	(682,400)
Profit before income tax		**1,600,066**	1,919,195
Income tax expense	*10*	**(1,056,600)**	(599,169)
Profit for the year		**543,466**	1,320,026
Profit attributable to:			
– Owners of the Company		**535,604**	1,331,193
– Non-controlling interests		**7,862**	(11,167)
Profit for the year		**543,466**	1,320,026
Earnings per share (RMB per share)			
Basic earnings per share	*11*	**0.10**	0.26
Diluted earnings per share	*11*	**0.10**	0.26

The notes on pages 97 to 164 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the year	**543,466**	1,320,026
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**17,505**	47,783
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
Surplus on revaluation of office premises, net of tax	**–**	101,452
Other comprehensive income for the year, net of tax	**17,505**	149,980
Total comprehensive income for the year	**560,971**	1,470,006
Total comprehensive income for the year attributable to:		
– Owners of the Company	**552,080**	1,471,028
– Non-controlling interests	**8,891**	(1,022)
	560,971	1,470,006

The notes on pages 97 to 164 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

		As at 31 December	
		2020	2019
	Notes	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Investment properties	*12*	**63,367,000**	61,833,246
Property and equipment	*13*	**1,129,835**	1,306,505
Intangible assets		**700**	2,491
Deferred income tax assets	*16*	**898,194**	637,035
Trade and other receivables	*19*	**72,100**	365,900
Prepayments	*18*	**–**	169,133
Investment in other financial assets		**52,050**	32,319
Total non-current assets		**65,519,879**	64,346,629
Current assets			
Completed properties held for sale	*17*	**1,746,533**	2,224,075
Prepayments	*18*	**229,214**	203,998
Trade and other receivables	*19*	**421,096**	454,803
Bank deposits	*20*	**69,354**	261,098
Structured bank deposits	*20*	**2,321,355**	961,950
Cash and cash equivalents	*21*	**396,804**	1,206,837
Assets classified as held for sale		**–**	69,626
Total current assets		**5,184,356**	5,382,387
Total assets		**70,704,235**	69,729,016
EQUITY			
Equity attributable to owners of the Company			
Share capital	*25*	**106,112**	106,112
Other reserves	*25*	**36,522,962**	35,964,422
		36,629,074	36,070,534
Non-controlling interests		**917,939**	1,045,605
Total equity		**37,547,013**	37,116,139

The notes on pages 97 to 164 are an integral part of these consolidated financial statements.

		As at 31 December	
		2020	2019
	Notes	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*22*	**17,457,907**	16,366,214
Lease liabilities	*12*	**–**	227,167
Contract retention payables		**399,743**	467,154
Deferred income tax liabilities	*16*	**9,292,978**	8,704,737
Total non-current liabilities		**27,150,628**	25,765,272
Current liabilities			
Bank and other borrowings	*22*	**1,011,860**	1,632,440
Lease liabilities	*12*	**–**	30,980
Receipts in advance from customers	*23*	**77,615**	72,082
Contract liabilities	*23*	**84,218**	241,112
Trade and other payables	*24*	**3,100,204**	3,138,383
Current income tax liabilities		**1,732,697**	1,732,608
Total current liabilities		**6,006,594**	6,847,605
Total liabilities		**33,157,222**	32,612,877
Total equity and liabilities		**70,704,235**	69,729,016

The notes on pages 97 to 164 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 25 March 2021 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company							
		Share capital	Share premium	Exchange reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	25	*25(b)*	*25(c)*	*25(c)*					
Balance at 1 January 2019		106,112	17,407	(1,685,899)	859,568	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		–	–	47,783	92,052	–	139,835	10,145	149,980
Total comprehensive income for the year		–	–	47,783	92,052	1,331,193	1,471,028	(1,022)	1,470,006
Shares held for share award scheme		–	–	–	(223)	–	(223)	–	(223)
Dividends approved in respect of the previous year		–	–	–	–	(155,772)	(155,772)	–	(155,772)
Employees' share award scheme		–	–	–	8,691	–	8,691	–	8,691
Vesting of shares under employees' share award scheme		–	(15,811)	–	15,811	–	–	–	–
Transfer to general reserve fund		–	–	–	1,207	(1,207)	–	–	–
Balance at 31 December 2019		106,112	1,596	(1,638,116)	977,106	36,623,836	36,070,534	1,045,605	37,116,139

		Attributable to owners of the Company							
		Share capital	**Share premium**	**Exchange reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	Note	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	25	***25(b)***	***25(c)***	***25(c)***					
Balance at 1 January 2020		**106,112**	**1,596**	**(1,638,116)**	**977,106**	**36,623,836**	**36,070,534**	**1,045,605**	**37,116,139**
Profit for the year		**–**	**–**	**–**	**–**	**535,604**	**535,604**	**7,862**	**543,466**
Other comprehensive income		**–**	**–**	**16,476**	**–**	**–**	**16,476**	**1,029**	**17,505**
Total comprehensive income for the year		**–**	**–**	**16,476**	**–**	**535,604**	**552,080**	**8,891**	**560,971**
Shares held for share award scheme		**–**	**–**	**–**	**6,460**	**–**	**6,460**	**–**	**6,460**
Distributions to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(136,557)**	**(136,557)**
Balance at 31 December 2020		**106,112**	**1,596**	**(1,621,640)**	**983,566**	**37,159,440**	**36,629,074**	**917,939**	**37,547,013**

The notes on pages 97 to 164 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before taxation	**1,600,066**	1,919,195
Adjustments for:		
Valuation gains on investment properties	**(1,099,804)**	(1,168,488)
Depreciation and amortization	**120,503**	247,211
Finance income	**(63,366)**	(80,032)
Interest expense	**946,711**	726,382
Net foreign exchange gains	**(31,916)**	(45,079)
Gains on disposal of subsidiaries	**–**	(57,459)
(Gains)/losses on disposal of investment properties	**(16,447)**	1,119
Losses from disposal of property and equipment	**2,001**	306
Equity-settled share-based payment expense	**–**	8,691
Gains on early termination of lease agreement	**(9,658)**	(15,074)
Gains on financial assets at fair value through profit or loss	**(28,800)**	–
Changes in working capital:		
(Increase)/decrease in prepayments	**(23,445)**	26,826
Decrease/(increase) in trade and other receivables	**36,697**	(45,603)
Decrease in completed properties held for sale	**438,737**	–
(Decrease)/increase in receipts in advance from customers and rental deposits and contract liabilities	**(151,361)**	105,937
(Decrease)/increase in trade and other payables	**(120,387)**	108,089
Decrease in restricted cash	**1,377**	–
Net cash generated from operations	**1,600,908**	1,732,021
Interest received	**60,376**	78,093
Interest paid	**(941,174)**	(1,035,522)
Income tax paid	**(511,069)**	(114,974)
Net cash inflow from operating activities	**209,041**	659,618

The notes on pages 97 to 164 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cash flows from investing activities		
Payment for development costs and purchase of investment properties	**(294,851)**	(1,005,312)
Purchase of property and equipment	**(17,971)**	(47,250)
Proceeds from disposal of investment properties	**84,000**	13,724
Decrease in bank deposits	**–**	202,695
(Increase)/decrease in structured bank deposits	**(1,358,690)**	1,538,540
Investment income from financial assets	**26,379**	–
Proceeds from disposal of subsidiaries, net	**–**	39,214
Purchase of intangible assets	**–**	(260)
Proceeds from disposal of property and equipment	**59**	956
Investment in other financial assets	**(18,025)**	(15,399)
Net cash (outflow)/inflow from investing activities	**(1,579,099)**	726,908
Cash flows from financing activities		
Proceeds from bank and other borrowings	**2,304,588**	1,583,437
Repayment of bank and other borrowings	**(1,791,323)**	(1,286,034)
Decrease in restricted bank deposits	**190,367**	2,010,000
Proceeds from sale/payment for purchase of shares held for share award scheme	**6,460**	(223)
Dividends paid to owners of the Company	**–**	(155,772)
Repayment of corporate bonds	**–**	(3,000,000)
Principal elements of lease payments	**–**	(64,835)
Distributions to non-controlling interests	**(136,557)**	–
Net cash inflow/(outflow) from financing activities	**573,535**	(913,427)
Net (decrease)/increase in cash and cash equivalents	**(796,523)**	473,099
Cash and cash equivalents at the beginning of the year	**1,206,837**	721,924
Effects of foreign exchange rate changes on cash and cash equivalents	**(13,510)**	11,814
Cash and cash equivalents at the end of the year	**396,804**	1,206,837

The notes on pages 97 to 164 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 businesses. The Group has operations mainly in the People's Republic of China (the "PRC" or "China").

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements were approved for issue by the board (the "Board") of directors (the "Director(s)") on 25 March 2021.

2 Summary of significant accounting policies

2(a) Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and disclosure requirements of the 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 2020.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a 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(f)),
- Office premises (see Note 2(e)),
- Structured bank deposits measured at fair value through profit or loss (see Note 2(j)), and
- Investment in other financial assets (see Note 2(j)).

2 Summary of significant accounting policies (continued)

2(a) Basis of preparation (continued)

(iii) 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 2020:

- Definition of Material – amendments to Hong Kong Accounting Standard ("HKAS") 1 and HKAS 8,
- Definition of a Business – amendments to HKFRS 3,
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7, and
- Revised Conceptual Framework for Financial Reporting.

The Group also elected to adopt the following amendments early:

- Annual Improvements to HKFRS Standards 2018–2020 Cycle.

The 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.

(iv) 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 2020 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 Summary of significant accounting policies (continued)

2(b) 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 income statement, 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(c) 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(d) Foreign currency translation

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 attributable to the owners of the company are reclassified to profit or loss.

2 Summary of significant accounting policies (continued)

2(e) 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.

2 Summary of significant accounting policies (continued)

2(e) Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives as follows:

– Buildings	20–40 years
– Leasehold improvements	Shorter of 10 years or the lease periods
– Office equipment	5 years
– Motor vehicles	8 years

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognized at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the Group expects to use the assets beyond the lease term.

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(h)).

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(f) 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.

2 Summary of significant accounting policies (continued)

2(f) Investment properties (continued)

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.

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 Summary of significant accounting policies (continued)

2(g) 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(h) Impairment of non-financial assets

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

(iii) Measurement (continued)

Debt instruments

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

- 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 2020, 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(j) 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(k) 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(l) 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(q)). 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(m) 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(j) for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2 Summary of significant accounting policies (continued)

2(n) Cash and cash equivalents

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

2(o) 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(t), 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(p) 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(q) 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 Summary of significant accounting policies (continued)

2(r) 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.

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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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 substantively 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.

2 Summary of significant accounting policies (continued)

2(r) Income tax (continued)

Deferred income tax (continued)

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(s) 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.

2 Summary of significant accounting policies (continued)

2(s) Employee benefits (continued)

(ii) Share-based payments (continued)

During the vesting period, the number of share options or Awarded Shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value 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 other reserves) 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(t) 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.

2 Summary of significant accounting policies (continued)

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

(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(u) 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) 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.

(ii) 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.

2 Summary of significant accounting policies (continued)

2(v) Rendering of services

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

2(w) Dividend

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

2(x) 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(y) Leases

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.

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.

2 Summary of significant accounting policies (continued)

2(y) Leases (continued)

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 without a purchase option.

2(z) 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 income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2(aa) Share capital

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

2 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, and
- 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.

2 Summary of significant accounting policies (continued)

2(ac) Related parties (continued)

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

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

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

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

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

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

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

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

(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.

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:

	2020	2019
	RMB'000	RMB'000
RMB		
– Cash and cash equivalents	**32,429**	2,007
– Amounts due from subsidiaries	**737,755**	739,969
– Amounts due to subsidiaries	**(368,047)**	(702,510)

As at 31 December 2020, 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 RMB20,107,000 lower/higher (2019: RMB1,973,000 lower/higher).

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(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 22. 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 2020, 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 RMB140,297,000 (2019: RMB102,796,000).

(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, current conditions and forecast of future economic conditions. As at 31 December 2020, the management does not expect any significant losses after taking into consideration of expected credit loss.

While bank balance is 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.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables

Trade receivables are amounts due from customers for properties sold or lease 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 RMB38,796,000 was individually assessed and the loss allowance of RMB36,842,000 was recognized as at 31 December 2020, remaining trade receivables have been collectively assessed, which are all lease receivables. The trade receivables have been grouped based on shared credit risk characteristics.

The loss allowance for trade receivables recognized in profit or loss is RMB4,814,000 during the year.

As at 31 December 2020 and 2019, the lease receivables collectively assessed expected credit loss rate was as follows 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
31 December 2020	**0.10%**	**0.50%**	**1%**	**5%**
31 December 2019	0.10%	0.50%	1%	5%

Trade receivables are written off when there is no reasonable expectation of recovery. The Group made no written off for trade receivables during the year.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(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.

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	Receivables for which there is no significant increase in credit risk since initial recognition (including customers have a low risk of default and a strong capacity to meet contractual cash flows)	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 impaired	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.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

Other receivables mainly include payments on behalf of customers, deposits and others. Deposits and others are at Stage one as credit risk has not significantly increased after initial recognition. The impairment loss impact was immaterial to the consolidated financial statements. Payment on behalf of customers were individually assessed for expected credit loss, and the details are as follows:

	Stage one 12 months expected losses		Stage three Lifetime expected losses		Total
	Estimated gross carrying amount at default	Expected credit loss	Estimated gross carrying amount at default	Expected credit loss	Expected credit loss
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	421,336	–	27,883	27,883	27,883
(Decrease)/Increase in gross carrying amount	(278,712)	–	–	–	–
Transfer to Stage 3	(49,585)	–	49,585	–	–
Increase in expected credit loss	–	–	–	49,585	49,585
Balance at 31 December 2020	93,039	–	77,468	77,468	77,468

Other receivables are written off when there is no reasonable expectation of recovery. The Group made no written off for other receivables during the year.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

The loss allowance for trade and other receivables as at 31 December reconciles to the opening loss allowance as follows:

	Trade receivables		Other receivables		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Opening loss allowance as at 1 January	**32,028**	32,028	**27,883**	28,143	**59,911**	60,171
Increase in loss allowance recognized in profit or loss during the year	**4,814**	–	**49,585**	–	**54,399**	–
Receivables written off during the year as uncollectible	**–**	–	**–**	(126)	**–**	(126)
Unused amount reversed	**–**	–	**–**	(134)	**–**	(134)
Closing loss allowance at 31 December	**36,842**	32,028	**77,468**	27,883	**114,310**	59,911

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(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.

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 2020					
Bank and other borrowings	**1,861,016**	**2,455,947**	**5,708,493**	**13,989,318**	**24,014,774**
Contract retention payables	**–**	**139,732**	**201,821**	**58,190**	**399,743**
Trade and other payables excluding non-financial liabilities	**2,789,725**	**–**	**–**	**–**	**2,789,725**
Guarantees	**72,462**	**–**	**–**	**–**	**72,462**
	4,723,203	**2,595,679**	**5,910,314**	**14,047,508**	**27,276,704**
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

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 RMB18,469,767,000 (2019: RMB17,998,654,000) as disclosed in Note 22. As at 31 December 2020, the ratio was 26.10% (2019: 25.81%).

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

(a) Fair value hierarchy

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 2020 and 2019.

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:

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

(ii) 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).

(iii) 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)

(a) Fair value hierarchy (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020 and 2019. See Note 12 for disclosures of the investment properties that are measured at fair value.

	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets					
At 31 December 2020					
Investment properties	*12*	**–**	**–**	**63,367,000**	**63,367,000**
Property and equipment	*13*				
– office premises		**–**	**–**	**442,562**	**442,562**
Financial assets at FVOCI/FVPL					
– structured bank deposits		**1,440,640**	**880,715**	**–**	**2,321,355**
– investment in a private fund		**–**	**–**	**52,050**	**52,050**
Total assets		**1,440,640**	**880,715**	**63,861,612**	**66,182,967**
Assets					
At 31 December 2019					
Investment properties	*12*	–	–	61,833,246	61,833,246
Property and equipment	*13*				
– office premises		–	–	456,630	456,630
Financial assets at FVOCI/FVPL					
– structured bank deposits		241,950	720,000	–	961,950
– investment in a private fund		–	–	32,319	32,319
Total assets		241,950	720,000	62,322,195	63,284,145

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.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- equity allocation model and price/booking multiple method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability and etc..

There were no changes in valuation techniques during the year.

(c) Fair value measurements using significant unobservable inputs (Level 3)

	Investment properties RMB'000	Property and equipment – office premises RMB'000	Investment in other financial assets RMB'000	Total RMB'000
Opening balance at 1 January 2020	61,833,246	456,630	32,319	62,322,195
Additions	575,607	–	18,025	593,632
Fair value changes recognized in profit or loss	1,099,804	–	–	1,099,804
Early termination of lease contracts	(254,331)	–	–	(254,331)
Transferred from completed properties held for sale	37,359	–	–	37,359
Transferred from property and equipment	75,315	–	–	75,315
Depreciation and impairment	–	(14,068)	–	(14,068)
Gains on financial assets at fair value through profit or loss	–	–	1,706	1,706
Closing balance at 31 December 2020	63,367,000	442,562	52,050	63,861,612

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(d) Group's valuation processes

The finance department of the Group includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer ("CFO") and the audit committee (the "Audit Committee"). Discussions of valuation processes and results are held among the CFO, the Audit Committee and the valuation team at least once every six months.

The components of the Level 3 instrument are investments in a private fund. As this instrument is not traded in an active market, major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of discount rate etc. The fair value of this instrument determined by the Group requires significant judgement, including the financial performance of the investee company, discount rate, and etc..

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 12(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 12(b).

4 Critical accounting estimates and judgements (continued)

(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 segments, has been identified as the executive directors of the Company.

The CODM reviews the operating results of the Group's real estate development, property leasing and property management businesses as an integrate part, and allocates resources on the same basis. As such, the Group has only one operating segment.

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 2020 and 2019, over 95% of the Group's non-current assets were located in the PRC.

6 Expenses by nature

	Note	**2020** **RMB'000**	2019 RMB'000
Property tax and other tax expenses		**267,319**	265,237
Employee benefits expenses	*7*	**184,736**	230,111
Utilities and property maintenance expenses		**122,619**	168,350
Depreciation and amortization		**120,503**	247,211
Office expenses		**19,351**	43,746
Rental commission		**45,205**	68,587
Advertising and marketing expenses		**11,670**	22,376
Auditors' remuneration			
– Audit services		**2,000**	3,200
– Non-audit services		**1,814**	903
Costs of properties sold		**438,796**	(180,571)
Donations		**–**	35,117
Other expenses		**90,921**	71,453
Total cost of sales, selling expenses, administrative expenses and other operating expenses		**1,304,934**	975,720

7 Employee benefit expense

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	181,690	209,945
Contributions to defined contribution retirement plan	3,046	11,475
Equity-settled share-based payment expenses	–	8,691
	184,736	230,111

The Group's subsidiaries in the PRC participate in a defined contribution retirement scheme established by the government, and make monthly contributions to the scheme for its employees, which are calculated on certain percentage of the average employee salary as agreed by government authorities. The scheme is responsible for the entire pension obligations payable to qualified beneficiaries of the scheme.

When an employee leaves the Group, the Group will cease to make contribution on behalf of such employee to the scheme. Meanwhile, the contributions that have already been made by the Group on behalf of such employee remain with the scheme and would not become forfeited. The Group's contribution obligations would not be reduced as well.

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

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2019: two) director whose emoluments are reflected in the analysis shown in Note 29. The emoluments payable to the remaining four (2019: three) individuals during the year are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	11,374	8,883
Retirement scheme contributions	204	155
	11,578	9,038

7 Employee benefit expense (continued)

(a) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in RMB)		
RMB2,000,001 – RMB3,000,000	**3**	2
RMB3,000,001 – RMB4,000,000	**1**	1

During the year ended 31 December 2020 and 2019, 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 income and gains

	Note	**2020 RMB'000**	2019 RMB'000
Property management service income on lump sum basis		**185,723**	178,319
Property management service income on commission basis		**38,271**	38,263
Forfeited customer deposits		**74,863**	67,707
Hotel operations income		**26,974**	90,492
Government grants	*(a)*	**40,706**	13,399
Gains on early termination of lease agreement		**9,658**	15,074
Gains/(losses) on disposal of investment properties		**16,447**	(1,119)
Gains on disposal of subsidiaries		**–**	57,459
Others		**72,925**	22,110
		465,567	481,704

(a) 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.

9 Finance income and finance expenses

	Notes	2020 RMB'000	2019 RMB'000
Finance income			
Interest income		**63,366**	80,032
		63,366	80,032
Finance expenses			
Interest expenses on bank and other borrowings		**946,711**	892,194
Interest expenses on lease liabilities	*12(d)(ii)*	**–**	39,083
Interest expenses on corporate bonds		**–**	7,886
Less: interest expenses capitalized into investment properties under development	*(a)*	**–**	(212,781)
		946,711	726,382
Net foreign exchange gains		**(31,916)**	(45,079)
Bank charges and others		**579**	1,097
		915,374	682,400

(a) No borrowing cost was capitalized in 2020. The borrowing costs were capitalized at a rate of 4.51% ~ 4.90% per annum in 2019.

10 Income tax expense

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

	2020 RMB'000	2019 RMB'000
Current income tax	**729,518**	23,589
Deferred income tax	**327,082**	575,580
	1,056,600	599,169

Current income tax includes PRC corporate income tax and PRC LAT.

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.

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% (2019: 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 ranging 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.

10 Income tax expense (continued)

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

	2020 RMB'000	2019 RMB'000
Profit before income tax	**1,600,066**	1,919,195
Income tax computed by applying the tax rate of 25% (2019: 25%)	**400,017**	479,799
Tax losses not recognized	**28,230**	59,737
Adjustment for income tax annual settlement	**3,329**	20,042
Difference in overseas tax rates	**16,424**	67,828
Effect of higher tax rate for LAT in the PRC	**4,433**	(28,237)
Withholding income tax	**604,167**	–
Actual tax expense	**1,056,600**	599,169

11 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 RMB535,604,000 (2019: RMB1,331,193,000) and the weighted average number of 5,199,433,000 ordinary shares (2019: 5,193,023,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Note	2020 Share '000	2019 Share '000
Issued ordinary shares at the beginning		**5,199,524**	5,199,524
Effect of shares held for share award scheme	*25(b)(ii)*	**(91)**	(7,165)
Effect of awarded shares vested		**–**	664
Weighted average number of ordinary shares during the year		**5,199,433**	5,193,023

11 Earnings per share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of RMB535,604,000 (2019: RMB1,331,193,000) and the weighted average number of 5,199,433,000 ordinary shares (2019: 5,193,023,000) after adjusting for the effect of share award scheme, calculated as follows:

(i) Profit attributable to owners of the Company (diluted)

	2020 RMB'000	2019 RMB'000
Profit attributable to owners of the Company	**535,604**	1,331,193
Profit attributable to owners of the Company (diluted)	**535,604**	1,331,193

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

	2020 Share'000	2019 Share'000
Weighted average number of ordinary shares	**5,199,433**	5,193,023
Weighted average number of ordinary shares (diluted)	**5,199,433**	5,193,023

12 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 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**
At 1 January 2020	**61,578,915**	**–**	**254,331**	**61,833,246**
Additions	**575,607**	**–**	**–**	**575,607**
Fair value changes recognized in profit or loss	**1,099,804**	**–**	**–**	**1,099,804**
Early termination of lease contracts	**–**	**–**	**(254,331)**	**(254,331)**
Transferred from completed properties held for sale	**37,359**	**–**	**–**	**37,359**
Transferred from property and equipment	**75,315**	**–**	**–**	**75,315**
At 31 December 2020	**63,367,000**	**–**	**–**	**63,367,000**

12 Investment properties (continued)

(a) Valuation basis

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

	Fair value measurements at 31 December using Description significant unobservable inputs (Level 3)	
	2020	2019
Description	**RMB'000**	RMB'000
Investment properties:		
– Completed investment properties located in Beijing	**34,099,000**	32,310,915
– Completed investment properties located in Shanghai	**29,268,000**	29,268,000
– Right-of-use assets	**–**	254,331
	63,367,000	61,833,246

Valuation process of the Group

The Group's investment properties were valued at 31 December 2020 and 31 December 2019, 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 CFO and the 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; and
- holds discussions with the independent valuer and reports to the CFO and AC.

12 Investment properties (continued)

(b) Valuation basis

Valuation techniques

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.

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties located in Beijing	34,099,000	Income capitalization approach and direct comparison method	Capitalization rate	4.6%-7.5%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (RMB per square meter per day)	4.3-15.5	The higher the rental per square meter, the higher the fair value
			Estimated price (RMB per square meter)	45,000-133,600	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	4.7%-6.1%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (RMB per square meter per day)	5.6-14.1	The higher the rental per square, the higher the fair value
			Estimated price (RMB per square meter)	46,000-99,600	The higher the price per square, the higher the fair value

(c) Certain investment properties of the Group were pledged against the bank and other borrowings, details are set out in Note 22.

12 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 2020 RMB'000	1 January 2020 RMB'000
Right-of-use assets		
Investment Properties	–	254,331
Lease liabilities		
Current	–	30,980
Non-current	–	227,167
	–	258,147

(ii) Amounts recognized in the consolidated income statement

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

	Note	2020 RMB'000	2019 RMB'000
Valuation changes on investment properties		–	(79,643)
Interest expenses	*9*	–	(39,083)

There was no cash outflow for leases in 2020. The total cash outflow for leases in 2019 was RMB103,918,000.

12 Investment properties (continued)

(d) Leases (continued)

(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.

(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.

13 Property and equipment

	Buildings and leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
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 & 1 January 2020				
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**
Year ended 31 December 2020				
Opening net book amount	**1,298,063**	**7,879**	**563**	**1,306,505**
Additions	**2,217**	**13,991**	**3,209**	**19,417**
Disposals and obsolescence	**(76)**	**(1,978)**	**(6)**	**(2,060)**
Transferred to investment properties	**(75,315)**	**–**	**–**	**(75,315)**
Depreciation charge	**(109,539)**	**(8,680)**	**(493)**	**(118,712)**
Closing net book amount	**1,115,350**	**11,212**	**3,273**	**1,129,835**
At 31 December 2020				
Cost	**1,718,271**	**145,919**	**10,170**	**1,874,360**
Accumulated depreciation	**(602,921)**	**(134,707)**	**(6,897)**	**(744,525)**
Net book amount	**1,115,350**	**11,212**	**3,273**	**1,129,835**

13 Property and equipment (continued)

(a) Revaluation of office premises

The carrying amount of office premises is RMB442,562,000 which does not differ materially from that which would be determined using fair values at the end of the reporting period.

(b) As at 31 December 2020 and 2019, no property and equipment was pledged as collateral for the Group's borrowings.

14 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	Indirect
Beijing Redstone Newtown Real Estate Co., Ltd.*	Beijing, the PRC	Development of the Commune by the Great Wall and Operation of serviced hotel	USD10,000,000	–	95%
Hainan Redstone Industry Co., Ltd.*	Hainan, the PRC	Development of Boao Canal Village	RMB20,000,000	–	98.1%
Beijing SOHO Real Estate Co., Ltd.*	Beijing, the PRC	Development of Sanlitun SOHO	USD99,000,000	–	95%
Beijing Millennium Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Beijing Residency	RMB96,000,000	–	100%
Beijing Yeli Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Guanghualu SOHO II	RMB1,100,000,000	–	100%
Beijing Kaiheng Real Estate Co., Ltd*	Beijing, the PRC	Development of Galaxy & Chaoyangmen SOHO	USD12,000,000	–	100%

14 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	RMB10,000,000	–	100%
Beijing Zhanpeng Century Investment Management Co., Ltd.***	Beijing, the PRC	Development of Qianmen Avenue project	RMB50,000,000	–	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	USD99,000,000	–	100%
Beijing Bluewater Property Management Co., Ltd**	Beijing, the PRC	Development of SOHO Nexus Centre	USD120,000,000	–	100%
Beijing Fengshi Real Estate Development Co., Ltd***	Beijing, the PRC	Development of SOHO Leeza	RMB1,750,000,000	–	100%
Shanghai Ding Ding Real Development Co., Ltd.*	Shanghai, the PRC	Development of Bund SOHO	USD135,000,000	–	61.506%
Shanghai Hong Tu Investment Management Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB5,000,000	–	100%
Shanghai Hong Suo Investment Management Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB5,000,000	–	100%
Shanghai Changyin Investment Management Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB100,000	–	100%

14 Subsidiaries (continued)

Name of Company	Place of establishment/ incorporation and operation	Principal activities	Issued/ paid-in capital	Attributable equity interest	
				Direct	Indirect
Shanghai Changmai Investment Management Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB100,000	–	100%
Shanghai Hong Sheng Real Estate Development Co., Ltd.***	Shanghai, the PRC	Development of SOHO Fuxing Plaza	RMB955,000,000	–	100%
Shanghai Greentown Plaza Development Co., Ltd.***	Shanghai, the PRC	Development of SOHO Tianshan Plaza and operation of serviced hotel	RMB1,550,000,000	–	100%
Shanghai Changkun Real Estate development Co., Ltd.*	Shanghai, the PRC	Development of Gubei SOHO	RMB3,190,000,000	–	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 RMB917,939,000 (2019: RMB1,045,605,000) which is 2.4% to the total equity of the Group.

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

15 Financial instruments by category

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets as per consolidated statement of financial position		
At amortized cost		
Trade and other receivables excluding prepayments	**493,196**	820,703
Bank deposits	**69,354**	261,098
Cash and cash equivalents	**396,804**	1,206,837
Financial assets at FVPL/FVOCI		
Structured bank deposits	**2,321,355**	961,950
Investment in a private fund	**52,050**	32,319
	3,332,759	3,282,907

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial liabilities as per consolidated statement of financial position		
At amortized cost		
Bank and other borrowings	**18,469,767**	17,998,654
Trade and other payables excluding tax payables	**2,789,725**	3,048,035
Lease liabilities	**–**	258,147
Contract retention payables	**399,743**	467,154
	21,659,235	21,771,990

16 Deferred income tax

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**883,545**	253,808
– to be recovered within 12 months	**14,649**	383,227
	898,194	637,035
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(9,292,978)**	(8,704,737)
	(9,292,978)	(8,704,737)
Deferred income tax liabilities, net	**(8,394,784)**	(8,067,702)

(b) The movement in deferred income tax assets and liabilities during the years ended 31 December 2020 and 31 December 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax arising from	*Note*	Tax losses	Unpaid accrued cost and expenses	Investment properties	Office Revaluation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019		88,887	515,064	(7,999,079)	(63,176)	(7,458,304)
Charged to income statement	*10(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)**
At 1 January 2020		**187,872**	**449,163**	**(8,607,743)**	**(96,994)**	**(8,067,702)**
Charged to income statement	*10(a)*	**265,938**	**(4,779)**	**(588,241)**	**–**	**(327,082)**
At 31 December 2020		**453,810**	**444,384**	**(9,195,984)**	**(96,994)**	**(8,394,784)**

16 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 RMB304,914,500 (2019: RMB340,614,000) in respect of losses amounting to RMB1,219,658,000 (2019: RMB1,362,456,000) that can be carried forward against future taxable income. As at 31 December 2020, RMB97,011,000, RMB295,856,000, RMB474,923,000, RMB238,948,000 and RMB112,920,000 of these tax losses will expire in 2021, 2022, 2023, 2024 and 2025 respectively.

As at 31 December 2020, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to RMB38,549,178,000 (2019: RMB41,860,447,000). Deferred tax liabilities of RMB3,854,917,800 (2019: RMB4,186,044,700) 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.

17 Completed properties held for sale

Completed properties held for sale mainly includes commercial properties and car parking lots which are all located in the PRC. No impairment provision was recognized during the year of 2020 and 2019.

18 Prepayments

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

19 Trade and other receivables

		As at 31 December	
		2020	2019
	Notes	**RMB'000**	RMB'000
Non-current –			
Other receivables		**72,100**	365,900
Current –			
Trade receivables		**235,495**	222,812
Less: allowance for impairment of trade receivables	*(b)*	**(36,842)**	(32,028)
Trade receivables – net	*(a)*	**198,653**	190,784
Other receivables		**299,911**	291,902
Less: allowance for impairment of other receivables		**(77,468)**	(27,883)
Other receivables – net		**222,443**	264,019
Total of current portion		**421,096**	454,803

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2020 and 2019.

19 Trade and other receivables (continued)

(a) Aging analysis

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current	**157,556**	150,107
Less than 1 month past due	**331**	19,589
1 to 6 months past due	**32,442**	18,649
6 months to 1 year past due	**6,370**	–
More than 1 year past due	**1,954**	2,439
Amounts past due	**41,097**	40,677
	198,653	190,784

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.

20 Bank deposits and structured bank deposits

(a) Bank deposits

		As at 31 December	
	Note	**2020** **RMB'000**	2019 RMB'000
Restricted bank deposits		**17,529**	–
Guarantees for bank and other borrowings		**–**	190,367
Guarantees for mortgage loans	*(i)*	**51,825**	70,731
		69,354	261,098

The above bank deposits are restricted as follows:

(i) 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 2020, the Group had deposits of RMB51,825,000 (as at 31 December 2019: RMB70,731,000) 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.

(b) Structured bank deposits

		As at 31 December	
	Note	**2020** **RMB'000**	2019 RMB'000
Structured bank deposits	*(i)*	**2,321,355**	961,950

(i) Structured bank deposits were measured at fair value and any changes were recognized in profit or loss. As at 31 December 2020, RMB1,440,640,000 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 2020 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.

21 Cash and cash equivalents

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash on hand	**39**	57
Cash at bank	**262,926**	1,046,327
Term deposits with banks	**133,839**	160,453
Cash and cash equivalents in the consolidated statement of financial position	**396,804**	1,206,837
Cash and cash equivalents in the consolidated statement of cash flows	**396,804**	1,206,837

22 Bank and other borrowings

(a) The borrowings were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank borrowings	**11,633,385**	10,848,868
Other borrowings	**6,836,382**	7,149,786
	18,469,767	17,998,654

22 Bank and other borrowings (continued)

(b) The borrowings were repayable as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year or on demand	**1,011,860**	1,632,440
After 1 year but within 2 years	**1,660,069**	985,781
After 2 years but within 5 years	**3,676,180**	3,923,823
After 5 years	**12,121,658**	11,456,610
	17,457,907	16,366,214
	18,469,767	17,998,654

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Denominated in:		
– RMB	**17,760,248**	17,246,983
– HKD	**709,519**	751,671
	18,469,767	17,998,654

The borrowings were secured as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Unsecured	**709,519**	751,671
Secured	**17,760,248**	17,246,983
	18,469,767	17,998,654

22 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 2020 and 2019.

(i) As at 31 December 2020, RMB17,760,248,000 (2019: RMB17,246,983,000) bank and other borrowings of the Group were secured by the following items:

	As at 31 December	
	2020	201 9
	RMB'000	RMB'000
Investment properties	**51,703,000**	55,891,000
	51,703,000	55,891,000

(ii) As at 31 December 2020, 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:

	2020	2019
	%	%
Bank and other borrowings included in current liabilities	**2.84–5.50**	4.41–5.50
Bank and other borrowings included in non-current liabilities	**2.84–5.50**	4.41–5.50

(e) The fair value of non-current borrowings approximates 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.

23 Contract liabilities and receipts in advance from customers

Contract liabilities and receipts in advance from customers 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.

24 Trade and other payables

		As at 31 December	
	Notes	**2020 RMB'000**	2019 RMB'000
Trade payables	*(a)*	**1,149,223**	1,397,866
Amounts due to related parties	*28(a)*	**812,732**	812,732
Deposits		**257,889**	273,575
Others		**569,881**	563,862
Financial liabilities measured at amortized costs		**2,789,725**	3,048,035
Other taxes payable		**310,479**	90,348
		3,100,204	3,138,383

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

(a) The aging analysis of trade payables based on due date is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Due within 1 month or on demand	**1,149,223**	1,397,866

25 Capital, reserves and dividends

(a) Dividends

The Board resolved not to declare a final dividend for the year (2019: Nil).

(b) Share capital and shares held for share award scheme

(i) Share capital

	2020		2019	
	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 2020, no option was exercised to subscribe for ordinary shares of the Company (2019: Nil).

(ii) Shares held for share award scheme

	2020		2019	
	No. of shares Share'000	Shares held for share award scheme RMB'000	No. of shares Share'000	Shares held for share award scheme RMB'000
At 1 January	2,366	11,739	7,115	31,026
Shares (sold)/purchased for employees' share award scheme	(2,366)	(11,739)	97	223
Vesting of shares under employees' share award scheme	–	–	(4,846)	(19,510)
At 31 December	–	–	2,366	11,739

25 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) 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(d).

26 Statement of financial position and equity movement of the Company

(a) Statement of financial position of the Company

		As at 31 December	
	Note	**2020 RMB'000**	2019 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		**20,306,960**	20,414,732
Trade and other receivables		**3,918**	4,609
Cash and cash equivalents		**157,395**	215,146
Total current assets		**20,468,273**	20,634,487
Total assets		**20,799,060**	20,965,274
Equity and liabilities			
EQUITY			
Share capital	*26 (b)*	**106,112**	106,112
Reserves	*26 (b)*	**3,773,423**	(1,874,441)
Total equity		**3,879,535**	(1,768,329)

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

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
LIABILITIES		
Non-current liabilities		
Bank and other borrowings	**709,519**	751,671
Total non-current liabilities	**709,519**	751,671
Current liabilities		
Other payables	**39,058**	43,704
Amounts due to subsidiaries	**16,170,948**	21,938,228
Total current liabilities	**16,210,006**	21,981,932
Total liabilities	**16,919,525**	22,733,603
Total equity and liabilities	**20,799,060**	20,965,274

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2021 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

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

(b) Share capital and reserve movement of the Company

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2019	106,112	1,350	(2,257,506)	55,544	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	–	–	–	8,691	–	8,691
Dividends approved in respect of the previous year	–	–	–	–	(155,772)	(155,772)
Vesting of shares under employees' share award scheme	–	(15,811)	–	(3,699)	–	(19,510)
Balance at 31 December 2019	106,112	(14,461)	(2,283,500)	60,536	362,984	(1,768,329)

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2020	106,112	(14,461)	(2,283,500)	60,536	362,984	(1,768,329)
Profit for the year	–	–	–	–	5,817,547	5,817,547
Other comprehensive income	–	–	(164,404)	–	–	(164,404)
Total comprehensive income	–	–	(164,404)	–	5,817,547	5,653,143
Shares held for share award scheme	–	–	–	(5,279)	–	(5,279)
Balance at 31 December 2020	106,112	(14,461)	(2,447,904)	55,257	6,180,531	3,879,535

27 Commitments and contingent liabilities

(a) Commitments

(i) Commitments outstanding as at the end of the reporting periods but are not provided for are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Commitments of investments	**78,448**	105,949
	78,448	105,949

(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 RMB72,462,000 as at 31 December 2020 (2019: RMB111,971,000).

28 Material related party transactions

The Company is ultimately controlled by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita.

(a) Amounts due to related parties

Amounts due to related parties comprise:

		As at 31 December	
		2020	2019
	Note	**RMB'000**	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
		812,732	812,732

(i) The balances as at 31 December 2020 mainly represented the advances of RMB812,732,000 (2019: RMB812,732,000) 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.

28 Material related party transactions (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 29 and certain of the highest paid employees as disclosed in Note 7(a) is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**17,599**	16,470
Post-employment benefits	**239**	245
Share-based payments	**–**	8,691
	17,838	25,406

29 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 2020:

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	3,360	–	40	285	35	3,960
Pan Zhang Xin Marita (Chief Executive Officer)	240	1,069	–	–	100	–	1,409
Independent non-executive Directors							
Huang Jing Sheng	297	–	–	–	–	–	297
Xiong Ming Hua	297	–	–	–	–	–	297
Sun Qiang Chang	297	–	–	–	–	–	297
Total	1,371	4,429	–	40	385	35	6,260

29 Benefits and interests of directors (continued)

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

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

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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