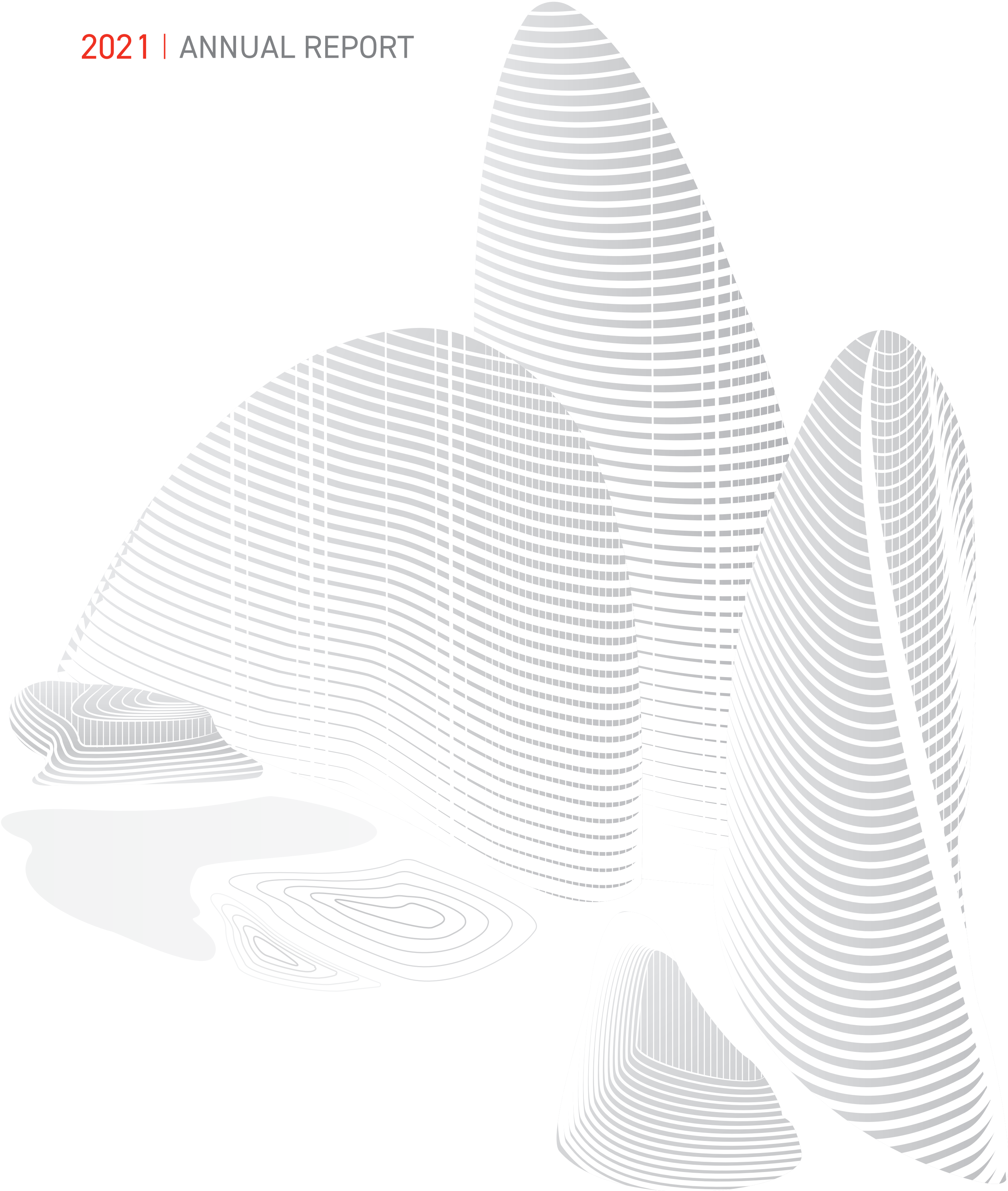
SOHO CHINA

Stock Code: 410

SOHO CHINA LIMITED

2021 | 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 2021 (the "Year"), together with the comparative figures for the year ended 31 December 2020.

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Chairman's Statement

2021 was a year of great strategic significance, not only did the year mark the beginning of the 14th Five-Year Plan, it also marked the beginning of significant post-COVID improvement for the Chinese economy. China has been a global leader in managing the pandemic, and during this year achieved annual GDP growth of 8.1%.

According to market data from Cushman & Wakefield, the net absorption of Grade A office reached 0.84 million square meters in Beijing and 1.42 million square meters in Shanghai last year, exceeding the pre-pandemic levels. Leasing demands in Beijing and Shanghai have been relieved to a considerable extent, and average rent and occupancy rates have risen. Nonetheless, ongoing small-scale outbreaks of COVID-19 and the recent "Double Reduction" policy affecting the education sector are two factors that have negatively impacted the office and commercial rental market.

Owing to the prime geographic locations and strong operational capabilities, as at the end of 2021, SOHO China projects reached an average occupancy rate of 85%. Of these, Gubei SOHO in Shanghai was fully leased for the first time, and Beijing's Leeza SOHO reached 80% occupancy, the highest level since the project entered the market. Facing a market filled with both challenges and opportunities, we have adopted a more flexible leasing policy. On the one hand we dig deep into the existing tenants' rent expansion and lease renewal needs, and on the other, we actively explore the market, to attract high-quality new tenants including companies from the healthcare and high-tech sectors.

Last year, SOHO China's projects reported successive achievements. At the end of the year, the Beijing Metro Line 14 was fully completed, and Leeza SOHO was connected to the subway network. At the same time, Shanghai Metro Line 14 began operation, increasing accessibility to Bund SOHO. The value of these two prime location projects has been significantly strengthened. In December 2021, Gubei SOHO won the "2020–2021 National Quality Project Award" for outstanding performance in design, building safety and quality, and green operation management. In April 2021, Commune by the Great Wall re-opened under the management of the Hyatt Group, this partnership will bring guests an even more extraordinary holiday experience.

Over the past year, SOHO China has continued to focus on the development of environmental, social and governance ("ESG") work and the Company has adopted environmental protection, social responsibility, and corporate governance as core components to building a sustainable enterprise. In the second half of the year, the Company established the "ESG Committee" under the Board of Directors to further improve the corporate governance structure. In response to the country's call of "Dual Carbon" goals, we continue to make efforts to improve energy conservation in managed buildings. In comparison with China's standard for energy consumption of buildings (GB/T 51161–2016), 24 projects managed by SOHO China have achieved annual electricity saving of 116 million kWh in total, which is equivalent to reduction of 96 thousand tonnes in carbon emissions, and the energy saving rate has reached 28.9%. In August last year, four SOHO China projects have obtained the "Two-star Green Building Label Certificate". This year, we will design and build a zero-carbon library in Tianshui, Gansu Province, using the highest energy efficiency building standards. Upon completion, the library will be the first zero-carbon building in China, and we look forward to sharing our project experience to benefit industry peers.

The Company continues to be committed to China's philanthropic causes and making a positive social impact. In July last year, the capital city of Henan Province, Zhengzhou, was hit by floods. We donated RMB10 million to the Red Cross Society of China Zhengzhou Branch to support post-disaster reconstruction. In November 2021, when the pandemic broke out in Tianshui, Gansu Province, we immediately donated RMB10 million to the Red Cross Society of China Tianshui Branch to support for pandemic control and management. SOHO China has continued to fund the Tianshui Yangzheng Kindergarten and Panjizhai School to promote the development of education, and address the inequality of educational resources in rural Northwest China.

In 2022, the office markets in Beijing and Shanghai will usher in a huge market supply, so the leasing business will be filled with competition and challenges ahead. We remain sober and optimistic about the future. We believe that the transformation and upgrading of China's economy will stimulate greater demand potential, and that SOHO China's high-quality products and services in the prime areas of Beijing and Shanghai have the unique ability to withstand fluctuations and maintain market recognition. SOHO China will continue to do an excellent job in asset management and property management, creating more added value for tenants, and making greater contributions to societal progress.

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 2021 (RMB'000)	Occupancy Rate[2] as at 31 December 2021	Occupancy Rate[2] as at 30 June 2021
Beijing				
Qianmen Avenue project	35,701	91,383	77%	93%
Wangjing SOHO	149,172	297,213	76%	95%
Guanghualu SOHO II	94,279	176,392	85%	81%
Leeza SOHO	135,637	88,745	80%	74%
Galaxy & Chaoyangmen SOHO	46,293	68,936	69%	74%
Shanghai				
SOHO Fuxing Plaza	88,234	233,121	98%	87%
Bund SOHO	72,006	196,150	91%	97%
SOHO Tianshan Plaza	97,751	189,642	85%	86%
Gubei SOHO	112,176	250,868	99%	98%

Notes: 1. The leasable GFA (gross floor area) attributable to the Group as at 31 December 2021.

2. Occupancy rate for office and retail areas.

MAJOR PROJECTS IN BEIJING

Wangjing SOHO

Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing, consisting of a total GFA of approximately 510,000 sq.m.. With a height of nearly 200 meters, Wangjing SOHO is now a landmark in central Beijing. The project comprises three towers (Towers 1, 2 and 3), among which Towers 1 and 2 were mostly sold in 2014.

The Group is holding Wangjing SOHO Tower 3 and some units of Towers 1 and 2. Tower 3 was completed in September 2014, with a total GFA of approximately 157,318 sq.m.. The Group is entitled to a leasable GFA of approximately 133,766 sq.m., including approximately 123,568 sq.m. of office area and approximately 10,198 sq.m. of retail area.

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

Wangjing SOHO

Guanghualu SOHO II

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

Guanghualu SOHO II

Qianmen Avenue project

Qianmen Avenue project is located in the Qianmen area, immediate south of Tiananmen Square, within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. The Group has the right to approximately 52,431 sq.m. of retail area, of which approximately 35,701 sq.m. is available for lease as at the end of 2021. 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 attracting and retaining high-quality tenants that fit the positioning of the project.

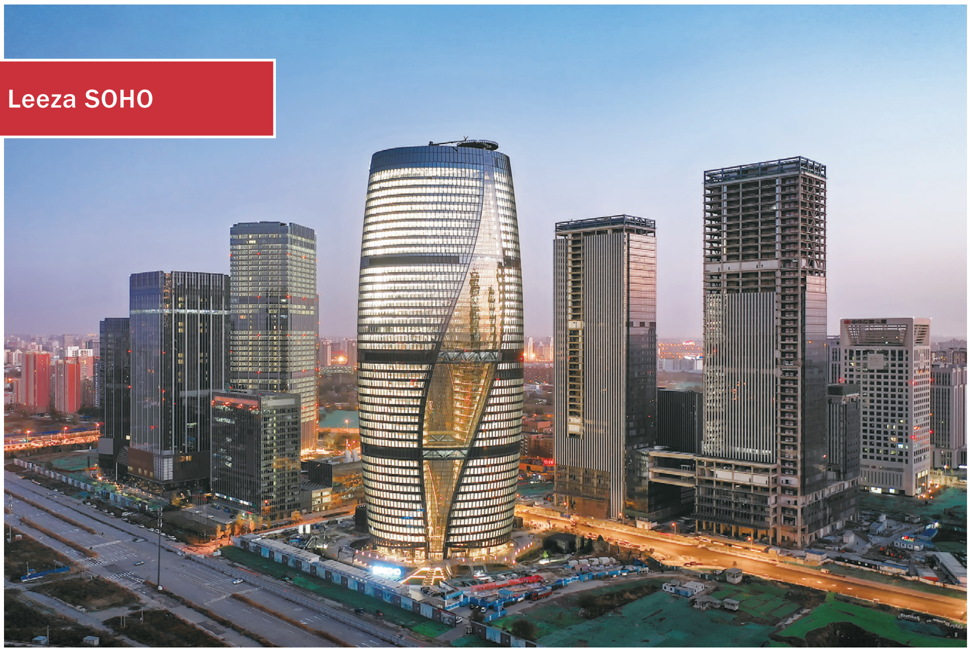
Qianmen Avenue project

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 158,434 sq.m., and a total leasable GFA of approximately 135,637 sq.m.. The project was completed in December 2019.

Leeza SOHO

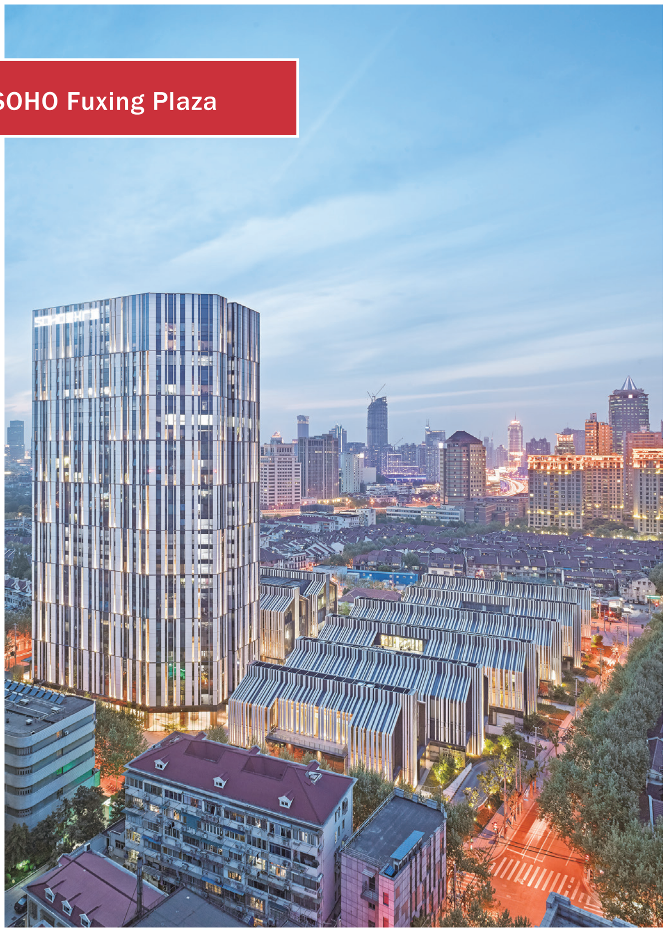


MAJOR PROJECTS IN SHANGHAI

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.

Bund SOHO

SOHO Tianshan Plaza

SOHO Tianshan Plaza is located at a prime location in the Hongqiao Foreign Trade Center in Changning District in Shanghai. The Hongqiao Foreign Trade Center area is Shanghai's first central business district for foreign enterprises and a gathering place for Changning's office 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 97,751 sq.m., including approximately 74,498 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 156,654 sq.m. and a total leasable GFA of approximately 112,176 sq.m.. The project was completed in January 2019.

Gubei SOHO

FINANCIAL REVIEW

Revenue

The Group achieved rental income of approximately RMB1,742 million during the Year, representing an increase of approximately 13% as compared with approximately RMB1,538 million in 2020. During the Year, there was no revenue arising from sales of property units, as compared with approximately RMB654 million in 2020.

Profitability

Gross profit for the Year was approximately RMB1,400 million, which were equivalent to that in 2020.

Gross profit margin of property leasing was approximately 80% for the Year, as compared with approximately 76% in 2020.

Valuation gains on investment properties

During the Year, the valuation gains were approximately RMB289 million, as compared with approximately RMB1,100 million in 2020. All of the Group's investment properties have reached stabilized operation as of 31 December 2021.

Cost control

Selling expenses for the Year were approximately RMB40 million, as compared with approximately RMB37 million in 2020. Administrative expenses for the Year were approximately RMB195 million, as compared with approximately RMB214 million in 2020.

Other operating expenses

Other operating expenses were approximately RMB838 million for the Year, as compared with approximately RMB258 million in 2020. The increase was mainly due to the one-off tax related expenditure of approximately RMB439 million in relation to a subsidiary of the Group.

Finance income and expenses

Finance income for the Year was approximately RMB56 million, representing a decrease of approximately RMB7 million as compared with approximately RMB63 million in 2020.

Finance expenses for the Year were approximately RMB915 million, which were equivalent to that in 2020.

Income tax expense

Income tax expense for the Year was approximately RMB389 million, representing a decrease of approximately RMB668 million as compared with approximately RMB1,057 million in 2020. The decrease was mainly due to lower profit before income tax for the Year.

Bank borrowings, other borrowings and collaterals

As at 31 December 2021, total borrowings of the Group was approximately RMB17,998 million, of which approximately RMB1,664 million were due within one year, and approximately RMB16,334 million were due over one year. As at 31 December 2021, borrowings of the Group of approximately RMB17,409 million were collateralized by the Group's investment properties.

As at 31 December 2021, net gearing ratio was approximately 44% (as at 31 December 2020: 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 2021, offshore borrowings were approximately RMB588 million, accounting for approximately 3.3% of total borrowings of the Group. The Company's average funding cost remained relatively low at approximately 4.7% as at 31 December 2021. 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 2021, the total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB39 million (as at 31 December 2020: approximately RMB72 million).

Capital commitment

As at 31 December 2021, the Group's total capital commitment was approximately RMB38 million (as at 31 December 2020: approximately RMB78 million).

Employees and remuneration policy

As at 31 December 2021, the Group had 1,706 employees, including 1,535 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 2021 are set out in the audited consolidated financial statements.

The Board resolved not to declare a final dividend for the Year (2020: 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 and of the assets and liabilities of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

Summary of published results of the Group for the years ended 31 December:

	2021	2020[1]	2019[1]	2018[1]	2017[1]
Unit: RMB'000					
Revenue	**1,741,739**	2,191,637	1,847,091	1,720,860	1,962,610
Profit before income tax	**264,792**	1,600,066	1,919,195	2,957,422	8,325,644
Income tax expense	**(388,744)**	(1,056,600)	(599,169)	(1,008,774)	(3,534,103)
(Loss)/profit for the year	**(123,952)**	543,466	1,320,026	1,948,648	4,791,541
(Loss)/profit attributable to:					
Owners of the Company	**(131,098)**	535,604	1,331,193	1,924,966	4,733,481
Non-controlling interests	**7,146**	7,862	(11,167)	23,682	58,060
Basic (loss)/earnings per share (RMB)	**(0.03)**	0.10	0.26	0.37	0.91
Diluted (loss)/earnings per share (RMB)	**(0.03)**	0.10	0.26	0.37	0.91
Interim dividend per share (RMB)	**–**	–	–	–	–
Final dividend per share (RMB)	**–**	–	–	0.03	–
Special dividend per share (RMB)	**–**	–	–	–	0.922

Summary of published assets and liabilities of the Group as at 31 December:

	2021	2020[1]	2019[1]	2018[1]	2017[1]
Unit: RMB'000					
Non-current assets	**65,824,792**	65,519,879	64,346,629	61,027,478	59,015,582
Current assets	**4,621,723**	5,184,356	5,382,387	9,071,567	12,201,960
Current liabilities	**6,960,706**	6,006,594	6,847,605	8,994,514	12,011,751
Non-current liabilities	**26,386,045**	27,150,628	25,765,272	25,311,094	25,478,494
Net assets	**37,099,764**	37,547,013	37,116,139	35,793,437	33,727,297
Share capital	**106,112**	106,112	106,112	106,112	106,112
Other reserves	**36,068,032**	36,522,962	35,964,422	34,640,698	32,598,240
Total equity attributable to owners of the Company	**36,174,144**	36,629,074	36,070,534	34,746,810	32,704,352
Non-controlling interests	**925,620**	917,939	1,045,605	1,046,627	1,022,945
Total equity	**37,099,764**	37,547,013	37,116,139	35,793,437	33,727,297

Note:

(1) Extracted from the published audited financial statements of in each of the relevant year. Please refer to Note 2(b) to the consolidated financial statements for the Year for prior period adjustments.

SHARE CAPITAL

As at 31 December 2021, the Company had 5,199,524,031 shares in issue (as at 31 December 2020: 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 2021, which may be terminated by either party by serving not less than one month's prior written notice. Each of Mr. Sun Qiang Chang and Mr. Xiong Ming Hua has entered into an appointment letter with the Company for a term of three years commencing from 8 May 2021, 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 2021, 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, Mr. Pan Shiyi and Mr. Sun Qiang Chang 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 59, is an executive Director and Chairman of the Board. Mr. Pan co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995. Since then he has led, together with his wife Mrs. Pan Zhang Xin Marita, the development of all of the Company's projects, and developed the Company into one of the largest Grade A office developers in Beijing and Shanghai, with total development areas exceeding 5 million sq.m.. 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 18 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 Mrs. Pan Zhang Xin Marita 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 Mrs. Pan Zhang Xin Marita 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 founded a bilingual kindergarten by donating RMB30 million in China's northwest region, and continues to donate RMB3 million every year afterwards.

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 56, is an executive Director and the Chief Executive Officer ("CEO") of the Company. Ms. Zhang is one of China's most celebrated women entrepreneurs. Since co-founding SOHO China in 1995, she has led the company to become one of country's most prolific developers of office property over 5 million sq.m. of projects in Beijing and Shanghai. Acclaimed as the "woman who built Beijing", Ms. Zhang is renowned for her daring and iconic collaborations with international architects that have transformed Chinese skylines.

Born in Beijing in 1965, Ms. Zhang moved to Hong Kong at age 14, where she labored as a factory girl for five years. At 19, Ms. Zhang ventured to the UK 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. Education served as a springboard to launch a career in investment banking with Goldman Sachs.

Ms. Zhang's rags-to-riches story embodies the rise of China's entrepreneurship, making her a celebrity CEO at home and a sought after Chinese voice on the international stage. Active on Weibo, China's "twitter", Ms. Zhang frequently shares her views on business, entrepreneurship and fitness with over 10 million followers. 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 featuring the works of 12 Asian architects.

In 2005, Ms. Zhang and her husband Pan Shiyi established the SOHO China Foundation to support education focused initiatives in China. In 2014, the Foundation launched the SOHO China Scholarships to provide financial aid to Chinese undergraduate students at leading international universities. To date the SOHO China Scholarships have been established at Harvard, Yale, and the University of Chicago, and support approximately 50 Chinese students per year.

Ms. Zhang serves as Trustee of MoMA, and a Trustee of the Asia Business Council. She is also a Member of World Economic Forum, Davos, and Member of 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. Recognized for their commitment to sustainability, Ms. Zhang and Mr. Pan are members of the Breakthrough Energy Coalition spearheaded by Bill Gates that invests in cutting-edge research and development to enable a zero emission energy future.

Independent Non-executive Directors

Mr. Sun Qiang Chang

Mr. Sun Qiang Chang ("Mr. Sun"), aged 65, 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 approximately 30 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 served as a non-executive director of Phoenix Media Investment (Holdings) Limited, which is listed on the main board of the Stock Exchange, from August 2019 to November 2021. 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 57, 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 64, 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 MBA from Harvard Business School, an MA from Stanford University and a BA 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 44, 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 50, 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 50, is our Vice President in charge of property construction and development. Mr. Xu obtained his bachelor's degree in Heating Ventilation and Air Conditioning Engineering from Beijing Institute of Civil Engineering and Architecture in 1994 and joined the Company in July 1999. During his over 20 years of service with our Company, Mr. Xu has acted as the project manager, project director and Vice President, and 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. Qian Ting
Vice President
Mr. Qian Ting, aged 45, 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 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 51, 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 Degree in Heating and Ventilation from Tianjin University in 1995, and her Doctor Degree in Architectural Engineering from Concordia University in Canada in 2003. She possesses over 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 20 years of experience in the company secretarial field and is a fellow member of The Hong Kong Chartered Governance Institute 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 26 May 2021 (the "2021 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 2021 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)*	264	3,360	–	40	237	90	3,991
Pan Zhang Xin Marita *(Chief Executive Officer)*	264	–	–	–	105	–	369
Independent non-executive Directors							
Sun Qiang Chang	303	–	–	–	–	–	303
Xiong Ming Hua	303	–	–	–	–	–	303
Huang Jing Sheng	303	–	–	–	–	–	303
Total	1,437	3,360	–	40	342	90	5,269

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 2021 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0–1,000,000	0
1,000,001–2,000,000	1
2,000,001–3,000,000	3
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 2021, 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 Shiyi 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 Shiyi is now a beneficiary of a discretionary trust (the "Trust") that was founded by his spouse, Mrs. 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 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 2021, 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 2021, 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. 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 2021, 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.

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, at the end of the Year, 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.

DONATIONS

During the Year, the Group made charitable donations of approximately RMB10,010,000 (2020: Nil).

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 are set out in Note 29 to the consolidated financial statements. The Board confirms none of the related party transactions as disclosed under Note 29 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 2021, the percentage of revenue from sales of goods or rendering of services to the Group's five largest customers amounted to approximately 10%.

For the year ended 31 December 2021, the percentage of purchases from 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 and discussion on the Group's future business development are provided in Business Review section on pages 4 to 12. 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 Management Discussion & Analysis section on pages 13 to 14, and in the section headed "Financial Information Summary" on page 16 of this annual report. Relationships with its key stakeholders are provided in the Directors' Report on pages 15 and 29 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 30 to 42 of this annual report.

In addition, a discussion on the Group's environmental policies will be provided in this Year's Environmental, Social and Governance Report (the "ESG Report"), which will be published separately.

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

Save as disclosed in Note (2)(a)(i) and Note 2(b) to the consolidated financial statements in, this annual report and announcement(s) made by the Company dated 17 December 2021, 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

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").

On behalf of the Board

Pan Shiyi
Chairman
Hong Kong
24 March 2022

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 2021, 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.

Mrs. Pan Zhang Xin Marita, the Chief Executive Officer of the Company, is the spouse of Mr. Pan Shiyi, the Chairman of the Board.

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 2021 AGM during the year. Directors' attendance records at Board meetings and the 2021 AGM are set out below:

Directors	Attendance/ No. of Board Meetings	2021 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 2021, 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 2021 and the audited consolidated annual results of the Company for the year ended 31 December 2021 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 2021, and recommended the Board to appoint or re-appoint the auditors of the Company for the year 2022, 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 2021 are set out in the section headed "Directors' Remuneration" of the Directors' Report and Note 30 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 Board.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE ("ESG COMMITTEE")

On 16 November 2021, the Company established its ESG Committee. The ESG Committee comprises three members, including two executive Directors, namely Mr. Pan Shiyi (chairman) and Mrs. Pan Zhang Xin Marita, and one independent non-executive Director, namely Mr. Huang Jingsheng.

The ESG Committee is mainly responsible for reporting to the Board matters relating to the Group's environmental, social and governance ("ESG") practices, as well as monitoring the formulation and implementation of the Company's vision, strategies, goals and policies regarding ESG issues.

The ESG Committee held its first meeting on 24 March 2022.

During the Year, the ESG Committee performed the following major tasks: further enhancing governance structure, exceeding annual carbon reduction targets, continuously improving customer services, promoting responsible supply, emphasizing employee care, and continuously fulfilling corporate social responsibilities, etc.

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 2021, 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.

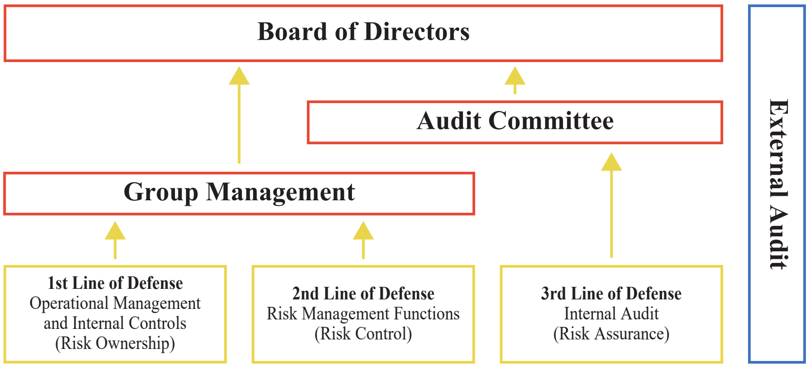
RISK MANAGEMENT AND INTERNAL CONTROL

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.

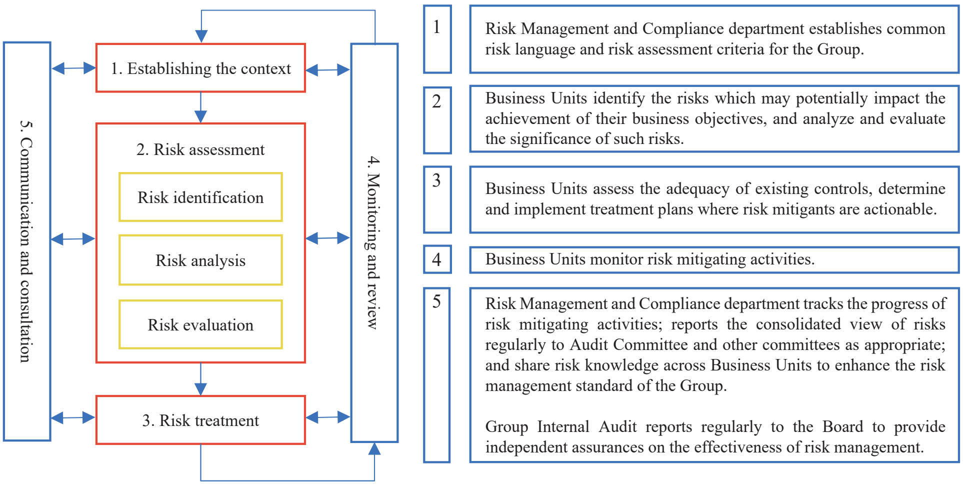
The Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material 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 the Year, 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 the Year, 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 2021, remunerations paid and payable by the Group to its auditors for the provision of statutory audit services and non-auditing services amounted to RMB3.2 million including audit service fee of RMB1.9 million and non-audit service fee of RMB1.3 million. The non-auditing services mainly represented review of interim financial information.

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 associate 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 Pan Shiyi (appointed with effect from 24 March 2022)
Members of the Nomination Committee	Pan Shiyi *(Chairman)* Huang Jingsheng Xiong Ming Hua
Members of the ESG Committee	Pan Shiyi *(Chairman)* Pan Zhang Xin Marita Huang Jingsheng
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 Bank of China Bank of Communications China Everbright Bank China Merchants Bank Industrial and Commercial Bank of China Standard Chartered Bank (Hong Kong) The Hong Kong and Shanghai Banking Corporation
Website address	www.sohochina.com
Stock Code	410

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"), which are set out on pages 50 to 120, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, 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 approximately RMB63,656 million as at 31 December 2021 with a revaluation gain of RMB289 million for the year then ended. The fair value of investment properties was determined by the Group based on the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group. The Group's investment properties as at 31 December 2021 are all completed investment properties in Mainland China. 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 prevailing market rents. 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 evaluated and tested, on a sample basis, the key management controls over the 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, prevailing market rents, 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. • We involved our internal valuation experts to assist us in assessing the methodologies used by the Valuer and compared the valuations of investment properties, on a sample basis to our independently formed market expectations. 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, 24 March 2022

Consolidated Income Statement

	Notes	Year ended 31 December 2021 RMB'000	2020 (Restated) RMB'000
Revenue			
Rental income		**1,741,739**	1,537,636
Sale of property units		**–**	654,001
Total revenue	*5*	**1,741,739**	2,191,637
Cost of sales	*6*	**(341,984)**	(801,399)
Gross profit		**1,399,755**	1,390,238
Valuation gains on investment properties	*12*	**289,000**	1,099,804
Other income and gains	*8*	**508,014**	465,567
Selling expenses	*6*	**(39,783)**	(37,063)
Administrative expenses	*6*	**(195,205)**	(214,463)
Other operating expenses	*6*	**(838,036)**	(258,048)
Operating profit		**1,123,745**	2,446,035
Finance income	*9*	**55,726**	63,366
Finance expenses	*9*	**(914,679)**	(915,374)
Profit before income tax		**264,792**	1,594,027
Income tax expense	*10*	**(388,744)**	(1,056,600)
(Loss)/profit for the year		**(123,952)**	537,427
(Loss)/profit attributable to:			
– Owners of the Company		**(131,098)**	529,565
– Non-controlling interests		**7,146**	7,862
(Loss)/profit for the year		**(123,952)**	537,427
(Loss)/earnings per share (RMB per share)			
Basic (loss)/earnings per share	*11*	**(0.03)**	0.10
Diluted (loss)/earnings per share	*11*	**(0.03)**	0.10

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2021	2020 (Restated)
	RMB'000	RMB'000
(Loss)/profit for the year	**(123,952)**	537,427
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(49,935)**	17,505
Other comprehensive income for the year, net of tax	**(49,935)**	17,505
Total comprehensive income for the year	**(173,887)**	554,932
Total comprehensive income for the year attributable to:		
– Owners of the Company	**(181,568)**	546,041
– Non-controlling interests	**7,681**	8,891
	(173,887)	554,932

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	As at 31 December 2021 RMB'000	2020 (Restated) RMB'000	As at 1 January 2020 (Restated) RMB'000
ASSETS				
Non-current assets				
Investment properties	*12*	**63,656,000**	63,367,000	61,833,246
Property and equipment	*13*	**1,091,172**	1,129,835	1,306,505
Intangible assets		**561**	700	2,491
Deferred income tax assets	*16*	**840,719**	898,194	637,035
Trade and other receivables	*19*	**72,100**	72,100	365,900
Prepayments		**–**	–	169,133
Investment in other financial assets		**164,240**	52,050	32,319
Total non-current assets		**65,824,792**	65,519,879	64,346,629
Current assets				
Completed properties held for sale	*17*	**1,737,526**	1,746,533	2,224,075
Prepayments	*18*	**231,337**	229,214	203,998
Trade and other receivables	*19*	**455,634**	421,096	454,803
Bank deposits	*20*	**84,858**	69,354	261,098
Structured bank deposits	*20*	**1,377,670**	2,321,355	961,950
Cash and cash equivalents	*21*	**734,698**	396,804	1,206,837
Assets classified as held for sale		**–**	–	69,626
Total current assets		**4,621,723**	5,184,356	5,382,387
Total assets		**70,446,515**	70,704,235	69,729,016
EQUITY				
Equity attributable to owners of the Company				
Share capital	*25*	**106,112**	106,112	106,112
Other reserves	*25*	**36,068,032**	36,249,600	35,697,099
		36,174,144	36,355,712	35,803,211
Non-controlling interests		**925,620**	917,939	1,045,605
Total equity		**37,099,764**	37,273,651	36,848,816

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

	Notes	As at 31 December 2021 RMB'000	As at 31 December 2020 (Restated) RMB'000	As at 1 January 2020 (Restated) RMB'000
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	*22*	**16,333,819**	17,457,907	16,366,214
Lease liabilities		**–**	–	227,167
Contract retention payables		**456,433**	399,743	467,154
Deferred income tax liabilities	*16*	**9,595,793**	9,292,978	8,704,737
Total non-current liabilities		**26,386,045**	27,150,628	25,765,272
Current liabilities				
Bank and other borrowings	*22*	**1,663,789**	1,011,860	1,632,440
Lease liabilities		**–**	–	30,980
Receipts in advance from customers	*23*	**299,807**	77,615	72,082
Contract liabilities	*23*	**86,352**	84,218	241,112
Trade and other payables	*24*	**3,248,382**	3,176,055	3,208,195
Current income tax liabilities		**1,662,376**	1,930,208	1,930,119
Total current liabilities		**6,960,706**	6,279,956	7,114,928
Total liabilities		**33,346,751**	33,430,584	32,880,200
Total equity and liabilities		**70,446,515**	70,704,235	69,729,016

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 24 March 2022 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
	Notes	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 2021 (as previously reported)		106,112	1,596	(1,621,640)	983,566	37,159,440	36,629,074	917,939	37,547,013
Restatement	*2(b)*	–	–	–	–	(273,362)	(273,362)	–	(273,362)
Balance at 1 January 2021 (restated)		106,112	1,596	(1,621,640)	983,566	36,886,078	36,355,712	917,939	37,273,651
Loss for the year		–	–	–	–	(131,098)	(131,098)	7,146	(123,952)
Other comprehensive income		–	–	(50,470)	–	–	(50,470)	535	(49,935)
Total comprehensive income for the year		–	–	(50,470)	–	(131,098)	(181,568)	7,681	(173,887)
Balance at 31 December 2021		106,112	1,596	(1,672,110)	983,566	36,754,980	36,174,144	925,620	37,099,764

		Attributable to owners of the Company							
		Share capital	Share premium	Exchange reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Notes	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 (as previously reported)		106,112	1,596	(1,638,116)	977,106	36,623,836	36,070,534	1,045,605	37,116,139
Restatement	*2(b)*	–	–	–	–	(267,323)	(267,323)	–	(267,323)
Balance at 1 January 2020 (restated)		106,112	1,596	(1,638,116)	977,106	36,356,513	35,803,211	1,045,605	36,848,816
Profit for the year (restated)		–	–	–	–	529,565	529,565	7,862	537,427
Other comprehensive income		–	–	16,476	–	–	16,476	1,029	17,505
Total comprehensive income for the year (restated)		–	–	16,476	–	529,565	546,041	8,891	554,932
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 (restated)		106,112	1,596	(1,621,640)	983,566	36,886,078	36,355,712	917,939	37,273,651

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Proceeds from sales of properties or rendering of services	**2,336,430**	2,283,375
Refund of taxes and surcharges	**798**	5,959
Interest received	**58,640**	60,376
Cash received relating to other operating activities	**61,329**	98,091
Cash paid for properties or services	**(251,864)**	(189,126)
Cash paid to and on behalf of employees	**(192,371)**	(183,811)
Payments of taxes and surcharges	**(246,263)**	(268,631)
Income tax paid	**(530,429)**	(511,069)
Interest paid	**(908,412)**	(941,174)
Cash paid relating to other operating activities	**(271,599)**	(144,949)
Net cash inflow from operating activities	**56,259**	209,041
Cash flows from investing activities		
Payment for development costs and purchase of investment properties	**(143,184)**	(294,851)
Purchase of property and equipment	**(21,586)**	(17,971)
Decrease/(increase) in structured bank deposits	**943,834**	(1,358,690)
Investment income from financial assets	**16,980**	26,379
Proceeds from disposal of investment properties	**–**	84,000
Proceeds from disposal of property and equipment	**311**	59
Investment in other financial assets	**(38,947)**	(18,025)
Net cash inflow/(outflow) from investing activities	**757,408**	(1,579,099)

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from bank and other borrowings	**500,000**	2,304,588
Repayment of bank and other borrowings	**(955,078)**	(1,791,323)
Decrease in restricted bank deposits	**–**	190,367
Proceeds from sale of shares held for share award scheme	**–**	6,460
Distributions to non-controlling interests	**–**	(136,557)
Net cash (outflow)/inflow from financing activities	**(455,078)**	573,535
Net increase/(decrease) in cash and cash equivalents	**358,589**	(796,523)
Cash and cash equivalents at the beginning of the year	**396,804**	1,206,837
Effects of foreign exchange rate changes on cash and cash equivalents	**(20,695)**	(13,510)
Cash and cash equivalents at the end of the year	**734,698**	396,804

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

1 General information

SOHO China Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in real estate development, property leasing and property management businesses 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 had its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 October 2007.

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 24 March 2022.

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 requirements of the Hong Kong Companies Ordinance Cap. 622.

During the year ended 31 December 2021, the Group reported a net loss of RMB131,098,000 attributable to owners of the Company. As of 31 December 2021, the current liabilities of the Group exceeded the current assets by RMB2,338,983,000. As of 31 December 2021, the Group had bank deposits amounting to RMB84,858,000, structured bank deposits amounting to RMB1,377,670,000 and cash and cash equivalents amounting to RMB734,698,000.

As set forth in Note 2(b) to the consolidated financial statements, the Group announced on 17 December 2021 that Beijing Jianhua Real Estate Co., Ltd. ("Jianhua Real Estate"), a subsidiary of the Company, had received a tax treatment decision and a tax administrative penalties decision (collectively, the "Decision") issued by Beijing municipal tax bureau. Upon receipt of the Decision, Jianhua Real Estate should pay the underpaid taxes, late payment fees, and penalty fees. The above matter is referred to as the "Penalty Event". As of the release date of these consolidated financial statements, all of the above taxes, late payment fees and penalty fees have been settled.

2 Summary of significant accounting policies (continued)

2(a) Basis of preparation (continued)

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

Based on management's assessment, the Penalty Event might cause certain banks and other financial institutions ("lenders") of existing borrowings to determine that their rights under the relevant borrowing agreements may have been adversely affected, and would result in relevant lenders requiring the Group to immediately repay the entire outstanding principal amount of these borrowings. Please refer to Note 22 to the consolidated financial statements for the detailed information of the outstanding principles for these borrowings as of 31 December 2021. The Group has communicated with the relevant lenders of these borrowings, and these lenders confirmed that the above Penalty Event does not trigger a breach of loan covenants including cross-default under the relevant borrowing agreements.

In view of the above, the management of the Group has given careful consideration to the Group's future liquidity, operating conditions and available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has taken, or is planning, the following measures to reduce capital pressure and improve its financial position:

(a) The Group is actively negotiating with certain major lenders for new financing or refinancing. Furthermore, it proposes to use unpledged investment properties as collateral for such borrowings. In addition, the Group will continue to monitor and fulfil the covenants of existing loan agreements.

(b) The Group will continue to take measures to sell certain of its commercial properties units.

(c) The Group will continue to take proactive measures to improve operating cash flow by controlling administrative costs and containing capital expenditure.

The Directors of the Company have reviewed the cash flow forecasts of the Group prepared by management for a period of not less than 12 months from 31 December 2021. The cash flow forecast is based on management's judgments and assumptions regarding certain future events, and it's realization will depend on the successful implementation of the Group's on-going plans and measures in particular, the Group's ability to obtain additional financing or refinancing from lenders as necessary, its ability to continue to comply with the terms and conditions of covenants contained in existing borrowing agreements and the successful and timely sale of properties to generate additional funding.

2 Summary of significant accounting policies (continued)

2(a) Basis of preparation (continued)

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

The Directors are of the opinion that, after taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the twelve months from 31 December 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis except that the following assets are measured at their fair value as explained in the accounting policies set out below:

- Investment properties (see Note 2(g)),
- Office premises (see Note 2(f)),
- 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)).

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16.

The Group also elected to adopt the following amendments early:

- Annual Improvements to HKFRS Standards 2018–2020 Cycle.
- Covid-19-Related Rent Concessions beyond 30 June 2021.

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, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations 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) Prior periods adjustment

The Group announced on 17 December 2021 that, Jianhua Real Estate, a subsidiary of the Company, received the Decision issued by tax authority. In accordance with the Decision, Jianhua Real Estate shall pay the amount of prior year enterprise income tax ("EIT") and land appreciation tax ("LAT") of RMB197,511,000 in total, as well as related late payment fees of RMB103,260,000 and penalty fees of RMB411,278,000.

The aforesaid EIT and LAT matters were related to Phase 2 and Phase 3 of SOHO Shangdu Project ("SOHO Shangdu Project") developed by Jianhua Real Estate. Most of the properties of SOHO Shangdu Project were sold before 31 December 2007. The Directors determined that the liabilities previously recognized in relation to the aforesaid matter had been understated by RMB273,362,000, being the tax amount of RMB197,511,000 and the related late payment fees of RMB75,851,000 up to 31 December 2020, and restated prior year financial statements accordingly. The remaining RMB438,687,000 was recorded in "Other operating expense" for the year ended 31 December 2021 (Note 6).

A summary of the accumulated effects of the restatements on the consolidated statement of financial position of the Group as at 31 December 2020 and on the consolidated income statement of the Group for the year then ended 2020 by each financial statement line item affected are presented in the table below:

	As previously reported (RMB'000)	Restatements (RMB'000)	As restated (RMB'000)
Effect on the Group's consolidated statement of financial position as at 31 December 2020			
Current income tax liabilities	1,732,697	197,511	1,930,208
Trade and other payables	3,100,204	75,851	3,176,055
Other reserve	36,522,962	(273,362)	36,249,600

	As previously reported (RMB'000)	Restatements (RMB'000)	As restated (RMB'000)
Effect on the Group's consolidated income statement for the year ended 31 December 2020			
Other operating expenses	252,009	6,039	258,048

2 Summary of significant accounting policies (continued)

2(b) Prior periods adjustment (continued)

A summary of the accumulated effects of the restatements described above on the consolidated statement of financial position of the Group as at 1 January 2020 by each financial statement line item affected are presented in the table below:

	As previously reported (RMB'000)	Restatements (RMB'000)	As restated (RMB'000)
Effect on the Group's consolidated statement of financial position as at 1 January 2020			
Current income tax liabilities	1,732,608	197,511	1,930,119
Trade and other payables	3,138,383	69,812	3,208,195
Other reserve	35,964,422	(267,323)	35,697,099

2(c) 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 where 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.

Inter-company 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.

2 Summary of significant accounting policies (continued)

2(c) Principles of consolidation and equity accounting (continued)

(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(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's senior executive management that makes strategic decisions.

2(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong Dollars ("HKD"). The consolidated financial statements are presented in RMB, rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying out the principal activities of the Group.

2 Summary of significant accounting policies (continued)

2(e) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally 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(f) 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 other reserves. 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.

2 Summary of significant accounting policies (continued)

2(f) Property and equipment (continued)

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

– Buildings	20–40 years
– Office equipment	5 years
– Motor vehicles	8 years

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(i)).

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(g) Investment properties

Investment properties are buildings which are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

2 Summary of significant accounting policies (continued)

2(g) 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:

(i) Commencement of an operating lease to another party, for a transfer from properties under development and completed properties held for sale to investment property.

(ii) 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(h) 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(i) 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(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.

2 Summary of significant accounting policies (continued)

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

(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.

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 2021, 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, see Note 19 for further details.

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

2(l) 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(m) 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 to known amounts of cash and which are subject to an insignificant risk of changes in value.

2(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They 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(o) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

2 Summary of significant accounting policies (continued)

2(o) Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

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(p) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

2(q) Current and deferred 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 and its 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.

2 Summary of significant accounting policies (continued)

2(q) Current and deferred income tax (continued)

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, and does not give rise to equal taxable and deductible temporary differences. 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.

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

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

2 Summary of significant accounting policies (continued)

2(r) Employee benefits

(i) Short-term obligations

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) Retirement benefits

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

2(s) Provisions

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.

2 Summary of significant accounting policies (continued)

2(t) Financial guarantees contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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(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.

2 Summary of significant accounting policies (continued)

2(u) Revenue recognition (continued)

(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.

(iii) 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(v) Dividend income

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

2 Summary of significant accounting policies (continued)

2(w) Interest income

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

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

2(x) 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.

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.

The group has early adopted Amendment to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the practical expedient to lease payments that were due on or before 30 June 2022.

2 Summary of significant accounting policies (continued)

2(y) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2(z) Share capital

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

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

2(ab) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(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:

	2021 **RMB'000**	2020 RMB'000
RMB		
–Cash and cash equivalents	**6,370**	32,429
–Amounts due from subsidiaries	**666,369**	737,755
–Amounts due to subsidiaries	**(658,447)**	(368,047)

As at 31 December 2021, 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 RMB715,000 lower/higher (2020: RMB20,107,000 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 2021, if interest rates have increased/decreased by 100 basis points with all other variables held constant, the Group's post-tax profit would decrease/increase by approximately RMB136,453,000 (2020: RMB140,297,000).

(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 forecasts of future economic conditions. As at 31 December 2021, 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 RMB38,857,000 was individually assessed and the loss allowance of RMB36,816,000 was recognized as at 31 December 2021, 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 reversed in profit or loss is RMB26,000 during the year.

As at 31 December 2021 and 2020, 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	More than 6 months past due
31 December 2021	0.10%	0.50%	1%	5%
31 December 2020	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 2021 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 RMB'000	Expected credit loss RMB'000	Estimated gross carrying amount at default RMB'000	Expected credit loss RMB'000	Expected credit loss RMB'000
Balance at 1 January 2021	93,039	–	77,468	77,468	77,468
Increase/(decrease)	39,464	–	(5,000)	(5,000)	(5,000)
Transfer to Stage 3	(17,586)	–	17,586	–	–
Increase in expected credit loss	–	–	–	17,586	17,586
Balance at 31 December 2021	114,917	–	90,054	90,054	90,054

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	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Opening loss allowance as at 1 January	**36,842**	32,028	**77,468**	27,883	**114,310**	59,911
Increase in loss allowance recognized in profit or loss during the year	**–**	4,814	**17,586**	49,585	**17,586**	54,399
Unused amount reversed	**(26)**	–	**(5,000)**	–	**(5,026)**	–
Closing loss allowance at 31 December	**36,816**	36,842	**90,054**	77,468	**126,870**	114,310

(c) Liquidity risk

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

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021					
Bank and other borrowings	**2,487,022**	**1,898,840**	**7,354,801**	**11,196,396**	**22,937,059**
Contract retention payables	**–**	**31,228**	**310,050**	**115,155**	**456,433**
Trade and other payables excluding non-financial liabilities	**2,735,131**	**–**	**–**	**–**	**2,735,131**
Guarantees	**39,059**	**–**	**–**	**–**	**39,059**
	5,261,212	**1,930,068**	**7,664,851**	**11,311,551**	**26,167,682**
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 (restated)	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

3 Financial risk management (continued)

3.2 Capital management

Consistent with industry practice, the Group monitors its capital structure on the basis of the ratio of the total of bank and interest bearing borrowings to the total assets. The bank and interest bearing borrowings include bank and other borrowings of RMB17,997,608,000 (2020: RMB18,469,767,000) as disclosed in Note 22. As at 31 December 2021, the ratio was 25.55% (2020: 26.10%).

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 FVPL are stated at fair value, the carrying amounts of other financial instruments approximate their fair values as at 31 December 2021 and 2020.

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 2021 and 2020. 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 2021					
Investment properties	*12*	**–**	**–**	**63,656,000**	**63,656,000**
Property and equipment					
– office premises	*13(a)*	**–**	**–**	**428,494**	**428,494**
Financial assets at FVPL					
– structured bank deposits		**1,027,520**	**350,150**	**–**	**1,377,670**
– investment in other financial assets		**–**	**–**	**164,240**	**164,240**
Total assets		**1,027,520**	**350,150**	**64,248,734**	**65,626,404**
Assets					
At 31 December 2020					
Investment properties	*12*	–	–	63,367,000	63,367,000
Property and equipment					
– office premises		–	–	442,562	442,562
Financial assets at FVPL					
– structured bank deposits		1,440,640	880,715	–	2,321,355
– investment in other financial assets		–	–	52,050	52,050
Total assets		1,440,640	880,715	63,861,612	66,182,967

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 2021	63,367,000	442,562	52,050	63,861,612
Additions	–	–	38,947	38,947
Fair value changes recognized in profit or loss	289,000	–	–	289,000
Depreciation and impairment	–	(14,068)	–	(14,068)
Gains on financial assets at fair value through profit or loss	–	–	73,243	73,243
Closing balance at 31 December 2021	63,656,000	428,494	164,240	64,248,734

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 "AC"). 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 other financial assets. 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(a), 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(a).

(b) Land appreciation tax

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.

4 Critical accounting estimates and judgements (continued)

(c) PRC corporate income taxes and deferred taxation

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.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

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 2021 and 2020, over 95% of the Group's non-current assets were located in the PRC.

The principal activities of the Group are real estate development, property leasing and property management business. Revenue represents revenue from rental income and sale of property units and is analyzed as follows:

	2021 **RMB'000**	2020 RMB'000
Rental income	**1,741,739**	1,537,636
Sale of property units	**–**	654,001
	1,741,739	2,191,637

6 Expenses by nature

	Notes	**2021 RMB'000**	2020 (Restated) RMB'000
Late payment fees and penalty fees	*2(b)*	**438,687**	6,039
Property tax and other tax expenses		**272,313**	267,319
Employee benefits expenses	*7*	**192,702**	184,736
Utilities and property maintenance expenses		**179,086**	122,619
Rental commission		**60,650**	45,205
Depreciation and amortization		**59,708**	120,503
Office expenses		**17,722**	19,351
Costs of properties sold		**–**	438,796
Donations		**10,010**	–
Advertizing and marketing expenses		**7,529**	11,670
Auditors' remuneration			
– Audit services		**1,900**	2,000
– Non-audit services		**1,300**	1,814
Other expenses		**173,401**	90,921
Total cost of sales, selling expenses, administrative expenses and other operating expenses		**1,415,008**	1,310,973

7 Employee benefit expense

	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	**185,465**	181,690
Contributions to defined contribution retirement plan	**7,237**	3,046
	192,702	184,736

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.

7 Employee benefit expense (continued)

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 (2020: one) director whose emoluments are reflected in the analysis shown in Note 30. The emoluments payable to the remaining four (2020: four) individuals during the year are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and other emoluments	**10,830**	11,374
Retirement scheme contributions	**358**	204
	11,188	11,578

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands (in RMB)		
RMB2,000,001 – RMB3,000,000	**3**	3
RMB3,000,001 – RMB4,000,000	**1**	1

During the year ended 31 December 2021 and 2020, 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	2021 RMB'000	2020 RMB'000
Property management service income		**271,044**	223,994
Gains on financial assets at FVPL		**90,373**	45,247
Forfeited customer deposits		**78,970**	74,863
Hotel operations income		**55,754**	26,974
Government grants	*(a)*	**4,214**	40,706
Gains on early termination of lease agreement		**–**	9,658
Gains on disposal of investment properties		**–**	16,447
Others		**7,659**	27,678
		508,014	465,567

(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

	Note	2021 RMB'000	2020 RMB'000
Finance income			
Interest income		**55,726**	63,366
Finance expenses			
Interest expenses on bank and other borrowings	*(a)*	**913,548**	946,711
Net foreign exchange loss/(gains)		**429**	(31,916)
Bank charges and others		**702**	579
		914,679	915,374

(a) No borrowing cost was capitalized in 2021 (2020: Nil).

10 Income tax expense

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

	2021 **RMB'000**	2020 RMB'000
Current income tax	**28,454**	729,518
Deferred income tax	**360,290**	327,082
	388,744	1,056,600

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% (2020: 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:

	Note	**2021 RMB'000**	2020 (Restated) RMB'000
Profit before income tax		**264,792**	1,594,027
Income tax calculated at the PRC tax rate of 25% (2020: 25%)		**66,198**	398,507
Difference in overseas tax rates		**38,031**	16,424
Effect of higher tax rate for LAT in the PRC		**–**	4,433
Tax effect of amounts which are not deductible in calculating taxable income:			
– Late payment fees and penalty fees	*6*	**109,672**	1,510
– Others		**12,832**	–
Tax on losses for which no DTA were recognized		**85,375**	28,230
Write-back on deferred tax assets		**81,719**	–
Adjustment for income tax annual settlement		**(5,083)**	3,329
Withholding income tax		**–**	604,167
Actual tax expense		**388,744**	1,056,600

11 (Loss)/earnings per share, basic and diluted

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of RMB131,098,000 (2020 restated: based on the profit attributable to owners of the Company of RMB529,565,000) and the weighted average number of 5,199,524,000 ordinary shares (2020: 5,199,433,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021 Share'000	2020 Share'000
Issued ordinary shares at the beginning	**5,199,524**	5,199,524
Effect of shares held for share award scheme	**–**	(91)
Weighted average number of ordinary shares during the year	**5,199,524**	5,199,433

11 (Loss)/earnings per share, basic and diluted (continued)

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to owners of the Company of RMB131,098,000 (2020 restated: profit attributable to owners of the Company of RMB529,565,000) and the weighted average number of 5,199,524,000 ordinary shares (2020: 5,199,433,000) after adjusting for the effect of share award scheme, calculated as follows:

(i) (Loss)/profit attributable to owners of the Company (diluted)

	2021 **RMB'000**	2020 (Restated) RMB'000
(Loss)/profit attributable to owners of the Company	**(131,098)**	529,565
(Loss)/profit attributable to owners of the Company (diluted)	**(131,098)**	529,565

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

	2021 **Share'000**	2020 Share'000
Weighted average number of ordinary shares	**5,199,524**	5,199,433
Weighted average number of ordinary shares (diluted)	**5,199,524**	5,199,433

12 Investment properties

	Completed investment properties RMB'000	Right-of-use assets RMB'000	Total RMB'000
At fair value			
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
At 1 January 2021	**63,367,000**	**–**	**63,367,000**
Fair value changes recognized in profit or loss	**289,000**	**–**	**289,000**
At 31 December 2021	**63,656,000**	**–**	**63,656,000**

(a) Valuation basis

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

	Fair value measurements at 31 December using significant unobservable inputs (Level 3)	
Description	**2021 RMB'000**	2020 RMB'000
Investment properties:		
– Completed investment properties located in Beijing	**34,267,000**	34,099,000
– Completed investment properties located in Shanghai	**29,389,000**	29,268,000
	63,656,000	63,367,000

12 Investment properties (continued)

(a) Valuation basis (continued)

Valuation process of the Group

The Group's investment properties were valued at 31 December 2021 and 31 December 2020, 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.

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.

12 Investment properties (continued)

(a) Valuation basis (continued)

Information about fair value measurements using significant unobservable inputs:

Description	Fair value at 31 December 2021 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties located in Beijing	34,267,000	Income capitalization approach and direct comparison method	Capitalization rate	4.8%–8.3%	The higher the capitalization rate, the lower the fair value
			Market rents per square meter (RMB per square meter per day)	4.8–16.0	The higher the rental per square meter, the higher the fair value
			Estimated price (RMB per square meter)	45,900–133,600	The higher the price per square, the higher the fair value
Completed investment properties located in Shanghai	29,389,000	Income capitalization approach and direct comparison method	Capitalization rate	4.8%–6.0%	The higher the capitalization rate, the lower the fair value
			Market rents 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)	47,000–99,800	The higher the price per square, the higher the fair value

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

13 Property and equipment

	Buildings and leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
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 & 1 January 2021				
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
Year ended 31 December 2021				
Opening net book amount	**1,115,350**	**11,212**	**3,273**	**1,129,835**
Additions	**19,525**	**1,750**	**312**	**21,587**
Disposals and obsolescence	**–**	**(681)**	**–**	**(681)**
Depreciation charge	**(56,494)**	**(2,596)**	**(479)**	**(59,569)**
Closing net book amount	**1,078,381**	**9,685**	**3,106**	**1,091,172**
At 31 December 2021				
Cost	**1,737,796**	**145,171**	**10,482**	**1,893,449**
Accumulated depreciation	**(659,415)**	**(135,486)**	**(7,376)**	**(802,277)**
Net book amount	**1,078,381**	**9,685**	**3,106**	**1,091,172**

13 Property and equipment (continued)

(a) Revaluation of office premises

The carrying amount of office premises is RMB428,494,000 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 2021 and 2020, 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%
Beijing Suo Tu Century Investment Management Co., Ltd.***	Beijing, the PRC	Development of Zhongguancun 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%

14 Subsidiaries (continued)

Name of Company	Place of establishment/ incorporation and operation	Principal activities	Issued/ paid-in capital	Attributable equity interest	
				Direct	Indirect
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 Leeza SOHO	RMB1,750,000,000	-	100%
Shanghai Ding Ding Real Development Co., Ltd.*	Shanghai, the PRC	Development of Bund SOHO	USD135,000,000	-	61.51%
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%
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.*

14 Subsidiaries (continued)

The total amount of non-controlling interest is RMB925,620,000 (2020: RMB917,939,000) which is 2.5% 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	
	2021	2020
	RMB'000	RMB'000
Financial assets as per consolidated statement of financial position		
At amortized cost		
Trade and other receivables	**527,734**	493,196
Bank deposits	**84,858**	69,354
Cash and cash equivalents	**734,698**	396,804
Financial assets at FVPL		
Structured bank deposits	**1,377,670**	2,321,355
Investment in other financial assets	**164,240**	52,050
	2,889,200	3,332,759

		As at 31 December	
		2021	2020
			(Restated)
	Note	**RMB'000**	RMB'000
Financial liabilities as per consolidated statement of financial position			
At amortized cost			
Bank and other borrowings		**17,997,608**	18,469,767
Trade and other payables excluding tax payables	*24*	**2,735,131**	2,789,725
Contract retention payables		**456,433**	399,743
		21,189,172	21,659,235

16 Deferred income tax

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**820,637**	883,545
– to be recovered within 12 months	**20,082**	14,649
	840,719	898,194
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(9,595,793)**	(9,292,978)
Deferred income tax liabilities, net	**(8,755,074)**	(8,394,784)

(b) The movement in deferred income tax assets and liabilities during the years ended 31 December 2021 and 31 December 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax arising from	*Notes*	**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 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)**
At 1 January 2021		**453,810**	**444,384**	**(9,195,984)**	**(96,994)**	**(8,394,784)**
Charged to income statement	*10(a)*	**(27,417)**	**(30,058)**	**(302,815)**	**–**	**(360,290)**
At 31 December 2021		**426,393**	**414,326**	**(9,498,799)**	**(96,994)**	**(8,755,074)**

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 RMB366,036,750 (2020: RMB304,914,500) in respect of losses amounting to RMB1,464,147,000 (2020: RMB1,219,658,000) that can be carried forward against future taxable income. As at 31 December 2021, RMB295,856,000, RMB474,923,000, RMB238,948,000, RMB112,920,000 and RMB341,500,000 of these tax losses will expire in 2022, 2023, 2024, 2025 and 2026 respectively.

As at 31 December 2021, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to RMB38,084,386,000 (2020: RMB38,549,178,000). Deferred tax liabilities of RMB3,808,438,600 (2020: RMB3,854,917,800) 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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Completed properties held for sale	**1,737,526**	1,746,533

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 2021 and 2020.

18 Prepayments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepaid sales commission	**112,786**	104,044
Prepaid income tax	**76,566**	73,773
Prepaid value added taxes and other taxes	**28,375**	31,500
Others	**13,610**	19,897
	231,337	229,214

19 Trade and other receivables

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
Non-current –			
Other receivables		**72,100**	72,100
Current –			
Trade receivables		**253,726**	235,495
Less: allowance for impairment of trade receivables	*(b)*	**(36,816)**	(36,842)
Trade receivables – net	*(a)*	**216,910**	198,653
Other receivables		**328,778**	299,911
Less: allowance for impairment of other receivables		**(90,054)**	(77,468)
Other receivables – net		**238,724**	222,443
Total of current portion		**455,634**	421,096

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2021 and 2020.

(a) Aging analysis

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

	As at 31 December 2021 RMB'000	2020 RMB'000
Current	**177,885**	157,556
Less than 1 month past due	**113**	331
1 to 6 months past due	**14,427**	32,442
6 months to 1 year past due	**8,293**	6,370
More than 1 year past due	**16,192**	1,954
Amounts past due	**39,025**	41,097
	216,910	198,653

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

19 Trade and other receivables (continued)

(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	**2021** **RMB'000**	2020 RMB'000
Restricted bank deposits		**46,844**	17,529
Guarantees for mortgage loans	*(i)*	**38,014**	51,825
		84,858	69,354

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 2021, the Group had deposits of RMB38,014,000 (as at 31 December 2020: RMB51,825,000) 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.

20 Bank deposits and structured bank deposits (continued)

(b) Structured bank deposits

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Structured bank deposits	*(i)*	**1,377,670**	2,321,355

(i) Structured bank deposits were measured at fair value and any changes were recognized in profit or loss. As at 31 December 2021, RMB1,377,670,000 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 2021 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	
	2021	2020
	RMB'000	RMB'000
Cash on hand	**29**	39
Cash at bank	**504,918**	262,926
Term deposits with banks	**229,751**	133,839
Cash and cash equivalents in the consolidated statement of financial position	**734,698**	396,804
Cash and cash equivalents in the consolidated statement of cash flows	**734,698**	396,804

22 Bank and other borrowings

(a) The borrowings were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank borrowings	**11,341,444**	11,633,385
Other borrowings	**6,656,164**	6,836,382
	17,997,608	18,469,767

(b) The borrowings repayable as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year or on demand	**1,663,789**	1,011,860
After 1 year but within 2 years	**1,139,047**	1,660,069
After 2 years but within 5 years	**5,485,480**	3,676,180
After 5 years	**9,709,292**	12,121,658
	16,333,819	17,457,907
	17,997,608	18,469,767

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Denominated in:		
– RMB	**17,409,414**	17,760,248
– HKD	**588,194**	709,519
	17,997,608	18,469,767

22 Bank and other borrowings (continued)

(b) The borrowings were secured as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Unsecured	**588,194**	709,519
Secured	**17,409,414**	17,760,248
	17,997,608	18,469,767

(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 2021 and 2020.

(i) As at 31 December 2021, RMB17,409,414,000(2020: RMB17,760,248,000) bank and other borrowings of the Group were secured by the following items:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investment properties	**52,988,431**	51,703,000

(ii) As at 31 December 2021, 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:

	2021	2020
	%	%
Bank and other borrowings included in current liabilities	**2.56–5.50**	2.84–5.50
Bank and other borrowings included in non-current liabilities	**2.56–5.50**	2.84–5.50

22 Bank and other borrowings (continued)

(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	
			2020
		2021	(Restated)
	Notes	**RMB'000**	RMB'000
Trade payables	*(a)*	**1,017,607**	1,149,223
Amounts due to related parties	*29(a)*	**812,732**	812,732
Deposits		**256,967**	257,889
Others		**647,825**	569,881
Financial liabilities measured at amortized costs		**2,735,131**	2,789,725
Late payment fees and penalty fees		**411,278**	75,851
Other taxes payable		**101,973**	310,479
		3,248,382	3,176,055

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	
	2021	2020
	RMB'000	RMB'000
Due within 1 month or on demand	**1,017,607**	1,149,223

25 Capital, reserves and dividends

(a) Dividends

The Board resolved not to declare a final dividend for the year (2020: Nil).

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

(i) Share capital

	2021		2020	
	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 2021, no option was exercised to subscribe for ordinary shares of the Company (2020: Nil).

(ii) Shares held for share award scheme

	2021		2020	
	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
Shares sold for employees' share award scheme	–	–	(2,366)	(11,739)
At 31 December	–	–	–	–

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(e).

26 Statement of financial position and equity movement of the Company

(a) Statement of financial position of the Company

		As at 31 December	
	Notes	**2021 RMB'000**	2020 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		**18,621,359**	20,306,960
Trade and other receivables		**3,519**	3,918
Cash and cash equivalents		**225,975**	157,395
Total current assets		**18,850,853**	20,468,273
Total assets		**19,181,640**	20,799,060
Equity and liabilities			
EQUITY			
Share capital	*26(b)*	**106,112**	106,112
Reserves	*26(b)*	**3,811,555**	3,773,423
Total equity		**3,917,667**	3,879,535

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	
	2021	2020
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Bank and other borrowings	**588,194**	709,519
Total non-current liabilities	**588,194**	709,519
Current liabilities		
Other payables	**35,679**	39,058
Amounts due to subsidiaries	**14,640,100**	16,170,948
Total current liabilities	**14,675,779**	16,210,006
Total liabilities	**15,263,973**	16,919,525
Total equity and liabilities	**19,181,640**	20,799,060

The statement of financial position of the Company was approved by the Board of Directors on 24 March 2022 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 2021	106,112	(14,461)	(2,447,904)	55,257	6,180,531	3,879,535
Profit for the year	–	–	–	–	141,875	141,875
Other comprehensive income	–	–	(103,743)	–	–	(103,743)
Total comprehensive income	–	–	(103,743)	–	141,875	38,132
Balance at 31 December 2021	106,112	(14,461)	(2,551,647)	55,257	6,322,406	3,917,667

	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 Cash flow information

(a) Cash generated from operations

		As at 31 December	
		2021	2020
	Notes	**RMB'000**	RMB'000
Profit before income taxes		**264,792**	1,600,066
Adjustments for:			
– Valuation gains on investment properties	*12*	**(289,000)**	(1,099,804)
– Depreciation and amortization	*6*	**59,708**	120,503
– Financial income	*9*	**(55,726)**	(63,366)
– Interest expense	*9*	**913,548**	946,711
– Net foreign exchange loss/(gain)	*9*	**429**	(31,916)
– Gains on other financial assets	*8*	**(90,373)**	(28,800)
– Others		**12,956**	(24,104)
Changes in working capital:			
– Decrease/(increase) in prepayments		**670**	(23,445)
– (Increase)/decrease in trade and other receivables		**(36,119)**	36,697
– Decrease in completed properties held for sale		**9,007**	438,737
– Increase/(decrease) in receipts in advance from customers and contract liabilities		**174,392**	(151,361)
– Increase/(decrease) in trade and other payables		**487,680**	(120,387)
– (Increase)/decrease in bank deposits		**(15,504)**	1,377
Cash generated from operations		**1,436,460**	1,600,908
Interest received		**58,640**	60,376
Interest paid		**(908,412)**	(941,174)
Income tax paid		**(530,429)**	(511,069)
Net cash inflow from operating activities		**56,259**	209,041

27 Cash flow information (continued)

(b) Net debt reconciliation

		As at 31 December	
	Notes	**2021** **RMB'000**	2020 RMB'000
Cash and cash equivalents	*21*	**734,698**	396,804
Borrowings – repayable within one year	*22(b)*	**(1,663,789)**	(1,011,860)
Borrowings – repayable after one year	*22(b)*	**(16,333,819)**	(17,457,907)
Net debt		**(17,262,910)**	(18,072,963)
Cash and cash equivalents	*21*	**734,698**	396,804
Gross debt – fixed interest rates		**(6,656,164)**	(6,836,382)
Gross debt – variable interest rates		**(11,341,444)**	(11,633,385)
Net debt		**(17,262,910)**	(18,072,963)

	Other assets Cash and cash equivalents RMB'000	Liabilities from financing activities Borrowings RMB'000	Total RMB'000
Net debt as at 1 January 2020	1,206,837	(17,998,654)	(16,791,817)
Cash flows	(796,523)	(513,265)	(1,309,788)
Foreign exchange adjustments	(13,510)	45,430	31,920
Other charges			
Interest expense accrued	–	(3,278)	(3,278)
Net debt as at 31 December 2020	396,804	(18,469,767)	(18,072,963)
Cash flows	358,589	455,078	813,667
Foreign exchange adjustments	(20,695)	20,266	(429)
Other charges			
Interest expense accrued	–	(3,185)	(3,185)
Net debt as at 31 December 2021	734,698	(17,997,608)	(17,262,910)

28 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	
	2021	2020
	RMB'000	RMB'000
Commitments of investments	**38,199**	78,448

(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 RMB39,059,000 as at 31 December 2021 (2020: RMB72,462,000).

29 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	
		2021	2020
	Notes	**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 2021 mainly represented the advances of RMB812,732,000 (2020: 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.

29 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 30 and certain of the highest paid employees as disclosed in Note 7(a) is as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	16,009	17,599
Post-employment benefits	448	239
	16,457	17,838

30 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 2021:

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)*	264	3,360	-	40	237	90	3,991
Pan Zhang Xin Marita *(Chief Executive Officer)*	264	-	-	-	105	-	369
Independent non-executive Directors							
Huang Jing Sheng	303	-	-	-	-	-	303
Xiong Ming Hua	303	-	-	-	-	-	303
Sun Qiang Chang	303	-	-	-	-	-	303
Total	1,437	3,360	-	40	342	90	5,269

30 Benefits and interests of directors (continued)

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

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

(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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