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SOHO CHINA LIMITED
SOHO 中國有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 410)

**RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

- Achieved rental income of approximately RMB1,742 million during the Year, representing an increase of approximately 13% year over year from approximately RMB1,538 million in 2020. During the Year, there was no revenue arising from sales of property units.
- Gross profit margin of property leasing was approximately 80% for the Year, as compared with that of approximately 76% for 2020.
- The average occupancy for the Group's investment properties reached approximately 85% as at 31 December 2021.
- During the Year, net loss attributable to owners of the Company was approximately RMB131 million, which was mainly due to the one-off tax related expenditure of approximately RMB439 million in relation to a subsidiary of the Group.
- As at 31 December 2021, net gearing ratio of the Group was approximately 44% and average funding cost was approximately 4.7%.

The board (the “**Board**”) of directors (the “**Directors**”) of SOHO China Limited (the “**Company**” or “**SOHO China**” or “**we**”) 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 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
			(Restated)
	Notes	RMB'000	RMB'000
Revenue	2	1,741,739	2,191,637
Cost of sales		<u>(341,984)</u>	<u>(801,399)</u>
Gross profit		1,399,755	1,390,238
Valuation gains on investment properties		289,000	1,099,804
Other income and gains		508,014	465,567
Selling expenses		(39,783)	(37,063)
Administrative expenses		(195,205)	(214,463)
Other operating expenses	3	<u>(838,036)</u>	<u>(258,048)</u>
Operating profit		1,123,745	2,446,035
Finance income	4	55,726	63,366
Finance expenses	4	<u>(914,679)</u>	<u>(915,374)</u>
Profit before income tax		264,792	1,594,027
Income tax expense	5	<u>(388,744)</u>	<u>(1,056,600)</u>
(Loss)/profit for the Year		<u>(123,952)</u>	<u>537,427</u>
(Loss)/profit attributable to:			
Owners of the Company		(131,098)	529,565
Non-controlling interests		<u>7,146</u>	<u>7,862</u>
(Loss)/profit for the Year		<u>(123,952)</u>	<u>537,427</u>
(Loss)/earnings per share (RMB per share)			
Basic (loss)/earnings per share	6	(0.03)	0.10
Diluted (loss)/earnings per share	6	<u>(0.03)</u>	<u>0.10</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	As at 31 December 2021	As at 31 December 2020 (Restated)	As at 1 January 2020 (Restated)
Notes	RMB'000	RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment properties	63,656,000	63,367,000	61,833,246
Property and equipment	1,091,172	1,129,835	1,306,505
Intangible assets	561	700	2,491
Deferred income tax assets	840,719	898,194	637,035
Trade and other receivables	7 72,100	72,100	365,900
Prepayments	–	–	169,133
Investment in other financial assets	164,240	52,050	32,319
Total non-current assets	<u>65,824,792</u>	<u>65,519,879</u>	<u>64,346,629</u>
Current assets			
Completed properties held for sale	1,737,526	1,746,533	2,224,075
Prepayments	231,337	229,214	203,998
Trade and other receivables	7 455,634	421,096	454,803
Bank deposits	84,858	69,354	261,098
Structured bank deposits	1,377,670	2,321,355	961,950
Cash and cash equivalents	734,698	396,804	1,206,837
Assets classified as held for sale	–	–	69,626
Total current assets	<u>4,621,723</u>	<u>5,184,356</u>	<u>5,382,387</u>
Total assets	<u>70,446,515</u>	<u>70,704,235</u>	<u>69,729,016</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	106,112	106,112	106,112
Other reserves	36,068,032	36,249,600	35,697,099
	<u>36,174,144</u>	<u>36,355,712</u>	<u>35,803,211</u>
Non-controlling interests	<u>925,620</u>	<u>917,939</u>	<u>1,045,605</u>
Total equity	<u>37,099,764</u>	<u>37,273,651</u>	<u>36,848,816</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2021

		As at 31 December 2021	As at 31 December 2020 (Restated)	As at 1 January 2020 (Restated)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	8	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		9,595,793	9,292,978	8,704,737
Total non-current liabilities		<u>26,386,045</u>	<u>27,150,628</u>	<u>25,765,272</u>
Current liabilities				
Bank and other borrowings	8	1,663,789	1,011,860	1,632,440
Lease liabilities		–	–	30,980
Receipts in advance from customers		299,807	77,615	72,082
Contract liabilities		86,352	84,218	241,112
Trade and other payables	9	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		<u>6,960,706</u>	<u>6,279,956</u>	<u>7,114,928</u>
Total liabilities		<u>33,346,751</u>	<u>33,430,584</u>	<u>32,880,200</u>
Total equity and liabilities		<u>70,446,515</u>	<u>70,704,235</u>	<u>69,729,016</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

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 11 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.

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 amounts of these borrowings. Please refer to Note 8 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, 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 in order 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 its 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.

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.

1.2 New and amended standards adopted by the Group

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

2 REVENUE

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	1,741,739	1,537,636
Sale of property units	<u>–</u>	<u>654,001</u>
	<u>1,741,739</u>	<u>2,191,637</u>

3. OTHER OPERATING EXPENSES

	2021	2020
	<i>RMB'000</i>	(Restated) <i>RMB'000</i>
Late payment fees and penalty fees	438,687	6,039
Utilities and property maintenance expenses	176,347	111,005
Employee benefits expenses	68,117	61,647
Donations	10,010	–
Other expenses	144,875	79,357
	<u>838,036</u>	<u>258,048</u>

4 FINANCE INCOME AND FINANCE EXPENSES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income	<u>55,726</u>	<u>63,366</u>
	<u>55,726</u>	<u>63,366</u>
Finance expenses		
Interest expenses on bank and other borrowings	913,548	946,711
Less: interest expenses capitalized into investment properties under development	<u>–</u>	<u>–</u>
	<u>913,548</u>	<u>946,711</u>
Net foreign exchange losses/(gains)	429	(31,916)
Bank charges and others	<u>702</u>	<u>579</u>
	<u>914,679</u>	<u>915,374</u>

5 INCOME TAX EXPENSE

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	28,454	729,518
Deferred income tax	<u>360,290</u>	<u>327,082</u>
	<u>388,744</u>	<u>1,056,600</u>

6 (LOSS)/EARNINGS PER SHARE, BASIC AND DILUTED

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to owners of the Company of RMB131,098,000 (2020: 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 ordinary shares) in issue during the Year, calculated as follows:

Weighted average number of ordinary shares

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

There was no share with dilutive effect in the Year (2020: Nil).

7 TRADE AND OTHER RECEIVABLES

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

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

Notes:

(a) **Aging analysis**

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

	As at 31 December	
	2021	2020
	RMB'000	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
	<hr/>	<hr/>
Amounts past due	39,025	41,097
	<hr/>	<hr/>
	216,910	198,653
	<hr/> <hr/>	<hr/> <hr/>

(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.

8 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
	<hr/>	<hr/>
	17,997,608	18,469,767
	<hr/> <hr/>	<hr/> <hr/>

(b) The borrowings repayable as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year or on demand	<u>1,663,789</u>	<u>1,011,860</u>
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	<u>9,709,292</u>	<u>12,121,658</u>
	<u>16,333,819</u>	<u>17,457,907</u>
	<u>17,997,608</u>	<u>18,469,767</u>

9 TRADE AND OTHER PAYABLES

	<i>Note</i>	As at 31 December	
		2021	2020
		RMB'000	RMB'000
Trade payables	<i>(a)</i>	1,017,607	1,149,223
Amounts due to related parties		812,732	812,732
Deposits		256,967	257,889
Others		<u>647,825</u>	<u>569,881</u>
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		<u>101,973</u>	<u>310,479</u>
		<u>3,248,382</u>	<u>3,176,055</u>

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

Note:

(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	<u>1,017,607</u>	<u>1,149,223</u>

10 DIVIDENDS

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

11 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 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, being the late payment fees and penalty fees attributable to 2021 (Note 3).

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 <i>(RMB'000)</i>	Restatements <i>(RMB'000)</i>	As restated <i>(RMB'000)</i>
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	<u>36,522,962</u>	<u>(273,362)</u>	<u>36,249,600</u>
	As previously reported <i>(RMB'000)</i>	Restatements <i>(RMB'000)</i>	As restated <i>(RMB'000)</i>
Effect on the Group's consolidated income statement for the year then ended 2020			
Other operating expenses	<u>252,009</u>	<u>6,039</u>	<u>258,048</u>

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 <i>(RMB'000)</i>	Restatements <i>(RMB'000)</i>	As restated <i>(RMB'000)</i>
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	<u>35,964,422</u>	<u>(267,323)</u>	<u>35,697,099</u>

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 we dig deep into the existing tenants' rent expansion and lease renewal needs, and on the other hand, 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 GFA¹ (sq.m.)	Rental Income 2021 (RMB'000)	Occupancy Rate² as at 31 December 2021	Occupancy Rate² 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 PRC.

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.

Qianmen Avenue project

Qianmen Avenue project is located in the Qianmen area, immediate south of Tiananmen Square and 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.

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, 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.

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.

Bund SOHO

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

The Group is entitled to a leasable GFA of approximately 72,006 sq.m., including approximately 50,347 sq.m. of office area and approximately 21,659 sq.m. of retail area. The project was completed in August 2015.

SOHO Tianshan Plaza

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

SOHO Tianshan Plaza has a total GFA of approximately 155,827 sq.m.. The office and retail parts of SOHO Tianshan Plaza were completed in December 2016, with a total leasable GFA of approximately 97,751 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 operations since the end of February 2018.

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.

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

OTHER INFORMATION

Principal activities

The principal activities of the Group are real estate development, property leasing and property management businesses. There were no significant changes in the nature of the Group's principal activities during the Year.

Dividends

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

Closure of register of members

The register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting to be held on Tuesday, 24 May 2022, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 18 May 2022.

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).

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.

Events after the reporting period

No significant subsequent events affecting the Group have occurred since the end of the Year up to the date of this announcement.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”)

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the code of conduct for securities transactions carried out by the Directors. The Company has made specific enquiry to all Directors and all Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

Compliance with the Corporate Governance Code

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

Audit committee

The audit committee of the Company had reviewed the audited consolidated annual results of the Company for the year ended 31 December 2021 which had been agreed with the auditor of the Company, namely PricewaterhouseCoopers, and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

Publication of results announcement

This annual results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sohochina.com.

By order of the Board
SOHO China Limited
Pan Shiyi
Chairman

Hong Kong, 24 March 2022

As at the date of this announcement, the executive Directors are Mr. Pan Shiyi and Mrs. Pan Zhang Xin, Marita; and the independent non-executive Directors are Mr. Sun Qiang Chang, Mr. Xiong Ming Hua and Mr. Huang Jingsheng.