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 2022

FINANCIAL HIGHLIGHTS

- Achieved revenue of approximately RMB1,775 million during the Year, representing an increase of approximately 1.9% from approximately RMB1,742 million of 2021, notwithstanding the impact of the resurgence of COVID-19 pandemic throughout the Year.

- Gross profit margin was approximately 81% for the Year, as compared with that of approximately 80% for 2021.

- As affected by the resurgence of COVID-19 pandemic and the overall market sentiment, office leasing markets in Beijing and Shanghai were under continuing pressure. The average occupancy of the Group's investment properties decreased to approximately 76% as at 31 December 2022.

- During the Year, profit attributable to owners of the Company was approximately RMB61 million.

- As at 31 December 2022, net gearing ratio of the Group was approximately 43%, 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 2022 (the "**Year**"), together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Revenue	*2*	**1,775,090**	1,741,739
Cost of sales		**(337,495)**	(341,984)
Gross profit		**1,437,595**	1,399,755
Valuation gains on investment properties		**22,409**	289,000
Other income and gains		**593,843**	508,014
Selling expenses		**(49,979)**	(39,783)
Administrative expenses		**(181,132)**	(195,205)
Other operating expenses		**(515,897)**	(838,036)
Operating profit		**1,306,839**	1,123,745
Finance income	*3*	**3,197**	55,726
Finance expenses	*3*	**(802,215)**	(914,679)
Profit before income tax		**507,821**	264,792
Income tax expense	*4*	**(443,316)**	(388,744)
Profit/(loss) for the Year		**64,505**	(123,952)
Profit/(loss) attributable to:			
– Owners of the Company		**61,208**	(131,098)
– Non-controlling interests		**3,297**	7,146
Profit/(loss) for the Year		**64,505**	(123,952)
Earnings/(loss) per share *(RMB per share)*	*5*		
Basic earnings/(loss) per share		**0.01**	(0.03)
Diluted earnings/(loss) per share		**0.01**	(0.03)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Profit/(loss) for the Year	**64,505**	(123,952)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**18,296**	(49,935)
Items that may not be reclassified to profit or loss		
Currency translation differences	**12,181**	–
Surplus on revaluation of office premises, net of tax	**173,775**	–
Other comprehensive income for the Year, net of tax	**204,252**	(49,935)
Total comprehensive income for the Year	**268,757**	(173,887)
Total comprehensive income for the Year attributable to:		
– Owners of the Company	**266,475**	(181,568)
– Non-controlling interests	**2,282**	7,681
	268,757	(173,887)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Investment properties		**63,785,300**	63,656,000
Property and equipment		**973,330**	1,091,172
Intangible assets		**73**	561
Deferred tax assets		**846,354**	840,719
Trade and other receivables	*6*	**68,743**	72,100
Investment in other financial assets		**266,895**	164,240
Total non-current assets		**65,940,695**	65,824,792
Current assets			
Completed properties held for sale		**1,708,284**	1,737,526
Prepayments		**104,466**	231,337
Trade and other receivables	*6*	**667,355**	455,634
Restricted bank deposits		**69,616**	84,858
Structured bank deposits		**10,968**	1,377,670
Cash and cash equivalents		**345,725**	734,698
Total current assets		**2,906,414**	4,621,723
Total assets		**68,847,109**	70,446,515
EQUITY			
Equity attributable to owners of the Company			
Share capital		**106,112**	106,112
Other reserves		**36,334,507**	36,068,032
		36,440,619	36,174,144
Non-controlling interests		**927,902**	925,620
Total equity		**37,368,521**	37,099,764

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*7*	**2,731,883**	16,333,819
Long-term deposits		**328,849**	456,433
Deferred tax liabilities		**9,834,677**	9,595,793
Total non-current liabilities		**12,895,409**	26,386,045
Current liabilities			
Bank and other borrowings	*7*	**13,453,099**	1,663,789
Receipts in advance		**387,510**	299,807
Contract liabilities		**4,011**	86,352
Trade and other payables	*8*	**2,943,098**	3,248,382
Current income tax liabilities		**1,795,461**	1,662,376
Total current liabilities		**18,583,179**	6,960,706
Total liabilities		**31,478,588**	33,346,751
Total equity and liabilities		**68,847,109**	70,446,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 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.

As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB15,676,765,000. At the same date, the Group's total bank and other borrowings amounted to RMB16,184,982,000 (including the current portion of RMB13,453,099,000). These borrowings were collateralized by the Group's investment properties recorded at a total carrying amount of RMB54,024,088,000. As at 31 December 2022, the Group had unrestricted cash and cash equivalents amounted to RMB345,725,000.

In December 2022, the Group was unable to repay bank borrowing according to scheduled repayment date with principal amount of RMB59,682,000 (the "**Defaulted Borrowing**"). As a result, the entire outstanding principal amount and interest of this borrowing of RMB668,315,000, including those with original contractual repayment dates after 31 December 2023, were reclassified as current liabilities as at 31 December 2022 as these amounts would be immediately repayable if requested by the banks.

The above default event triggered cross-defaults of certain other bank borrowings of the Group amounted to RMB6,551,258,000 as at 31 December 2022.

On 20 March 2023, the Group entered into a supplemental agreement with respective banks to extend the repayment of the Defaulted Borrowing to 30 June 2023. The aforesaid default and cross-defaults were released subsequently.

In addition, Beijing Wangjing SOHO Real Estate Co., Ltd. ("**Beijing Wangjing**"), a subsidiary of the Company, received a notice from the local tax authority in August 2022 demanding payment for the land appreciation tax ("**LAT**") of RMB1,733,334,000 relating to Tower 1 and Tower 2 of Wangjing SOHO project ("**Wangjing SOHO Project**") developed by Beijing Wangjing by 1 September 2022. Surcharges would be imposed at 0.05 percent per day on the outstanding LAT should payment was not made by the due date. RMB10,000,000 of the LAT was paid after the due date in the year ended 31 December 2022 and as at 31 December 2022, the remaining balance of the LAT together with surcharges totaling RMB1,851,271,000 were outstanding. The late payment of LAT may trigger cross-default of certain bank borrowing of Beijing Wangjing with principal amount and interest totaling RMB2,381,462,000 (together with the cross-defaulted borrowings mentioned in the previous paragraph, the "**Cross-Defaulted Borrowings**"). Furthermore, the local tax authority might impose other enforcement measures, including but not limited to detention, seizure and sale of the related properties as well as imposing penalties due to the late payment of LAT.

The Cross-Defaulted Borrowings with principal amount of RMB8,922,125,000 and interest of RMB10,595,000, including those with original contractual repayment dates beyond 31 December 2023, were reclassified as current liabilities as at 31 December 2022 as they may fall due upon demand if requested by the respective lenders.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

(a) the Group has been actively negotiating with certain financial institutions, including the existing major lenders, for options of restructuring of the Group's existing borrowings or new financing;

(b) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowing and the Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take action against the Group to demand immediate payment;

(c) the Group has formulated plans to and will continue to take measures to dispose of certain of its commercial properties;

(d) the Group will continue to communicate with the local tax authority to agree a settlement plan of the outstanding LAT to mitigate further potential negative impacts due to the late payment of LAT; and

(e) 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 (the "**Directors**") have reviewed the Group's cash flow projections prepared by management (the "**Cash Flow Projections**"), which cover a period of not less than twelve months from 31 December 2022. The Directors are of the opinion that, considering 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 twelve months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(a) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund its operations and financial obligations as well as reaching agreements with the lenders of the Defaulted Borrowing and Cross-Defaulted Borrowings on the restructuring of these borrowings and the ability of the Group to continuously comply with the restructured terms and conditions;

(b) successful negotiations with the lenders of the Defaulted Borrowing and Cross-Defaulted Borrowings that they will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interests of these borrowings;

(c) successful and timely implementation of the plans to dispose of certain of its commercial properties and timely collection of the relevant proceeds in accordance with timelines projected by management in the Cash Flow Projections;

(d) whether the local tax authority is agreeable to a settlement plan with the Group and not demand immediate payment of the outstanding LAT and related surcharges before the Group is able to secure sufficient funding to do so; as well as not taking any further actions against the Group including detention, seizure and sale of the Group's properties or imposing penalties; and

(e) the Group's ability to generate operating cash flows to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(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,
- Office premises,
- Structured bank deposits measured at fair value through profit or loss, and
- Investment in other financial assets.

1.2 New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for the annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use − Amendments to Hong Kong Accounting Standard ("**HKAS**") 16;
- Onerous Contracts − Cost of Fulfilling a Contract − Amendments to HKAS 37;
- Reference to the Conceptual Framework − Amendments to HKFRS 3; and
- Amendments to Accounting Guideline 5 Merger Accounting for Common Control Combinations.

The amended standards listed above did not have any significant impact on the Group's results for the year ended 31 December 2022 and the Group's financial position as at 31 December 2022. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

1.3 New standards and interpretations not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 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 REVENUE

The Group is principally engaged in real estate development, the provision of property leasing and related services in the People's Republic of China ("**PRC**"). Revenue is analyzed as follows:

	Note	**2022** ***RMB'000***	2021 *RMB'000*
Rental income		**1,744,538**	1,741,739
Sale of property units	*(i)*	**30,552**	–
		1,775,090	1,741,739

(i) During the year ended 31 December 2022, revenue from sale of property units is recognized at a point of time.

(ii) No single customer contributed 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021.

3 FINANCE INCOME AND FINANCE EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Finance income		
Interest income	**3,197**	55,726
Finance expenses		
Interest expenses on bank and other borrowings	**801,783**	913,548
Net foreign exchange loss	**26**	429
Bank charges and others	**406**	702
	802,215	914,679

4 INCOME TAX EXPENSE

Income tax in the consolidated income statement represents:

	2022	2021
	RMB'000	*RMB'000*
Current income tax		
− PRC corporate income tax	**45,187**	28,454
− PRC land appreciation tax	**213,804**	–
Deferred income tax	**184,325**	360,290
	443,316	388,744

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

The calculation of basic and diluted earnings/(loss) per share is based on the profit attributable to owners of the Company of RMB61,208,000 (2021: based on the loss attributable to owners of the Company of RMB131,098,000) and the weighted average number of 5,199,524,000 ordinary shares (2021: 5,199,524,000) in issue during the year, and after adjusting for the effect of share award scheme, if any, calculated as follows:

(i) Earnings/(loss) attributable to owners of the Company

	2022	2021
	RMB'000	*RMB'000*
Profit/(loss) attributable to owners of the Company	**61,208**	(131,098)
Profit/(loss) attributable to owners of the Company (diluted)	**61,208**	(131,098)

(ii) Weighted average number of ordinary shares

	2022	2021
	Share '000	*Share '000*
Issued ordinary shares at the beginning	**5,199,524**	5,199,524
Weighted average number of ordinary shares during the year	**5,199,524**	5,199,524
Weighted average number of ordinary shares during the year (diluted)	**5,199,524**	5,199,524

(iii) Earning/(loss) per share

	2022	2021
	RMB	*RMB*
Basic earnings/(loss) per share	**0.01**	(0.03)
Diluted earnings/(loss) per share	**0.01**	(0.03)

6 TRADE AND OTHER RECEIVABLES

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Non-current			
Other receivables		**68,743**	72,100
Current			
Trade receivables	*(i)*	**505,663**	253,726
Less: allowance for impairment of trade receivables	*(ii)*	**(61,209)**	(36,816)
Trade receivables – net		**444,454**	216,910
Amounts due from related parties		**24,740**	20,990
Amounts due from non-controlling interest		**46,493**	47,240
Other receivables		**261,121**	260,548
Less: allowance for impairment of other receivables	*(ii)*	**(109,453)**	(90,054)
Other receivables – net		**222,901**	238,724
Total of current portion		**667,355**	455,634

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2022 and 2021.

(i) Aging analysis

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Amounts not past due	**301,624**	177,885
Less than 1 month past due	**29,334**	113
1 to 6 months past due	**65,854**	14,427
6 months to 1 year past due	**47,926**	8,293
More than 1 year past due	**60,925**	53,008
Amounts past due	**204,039**	75,841
	505,663	253,726

(ii) Impairment of trade and other 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.

7 BANK AND OTHER BORROWINGS

(i) The borrowings were as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Bank borrowings	**10,434,191**	11,341,444
Other borrowings	**5,750,791**	6,656,164
	16,184,982	17,997,608

(ii) The borrowings repayable as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year or on demand	**13,453,099**	1,663,789
After 1 year but within 2 years	**221,081**	1,139,047
After 2 years but within 5 years	**2,160,802**	5,485,480
After 5 years	**350,000**	9,709,292
	2,731,883	16,333,819
	16,184,982	17,997,608

(iii) Compliance with loan covenants

As mentioned in Note 1.1(i), in December 2022, the Group was unable to repay bank borrowing according to scheduled repayment date with principal amount of RMB59,682,000. As a result, the entire outstanding principal amount and interest of this borrowing of RMB668,315,000, including those with original contractual repayment dates after 31 December 2023, were reclassified as current liabilities as at 31 December 2022 as these amounts would be immediately repayable if requested by the banks.

The above default event triggered cross-defaults of certain other bank borrowings of the Group amounted to RMB6,551,258,000 as at 31 December 2022.

On 20 March 2023, the Group entered into a supplemental agreement with the banks to extend the repayment of the Defaulted Borrowing to 30 June 2023. The aforesaid default and cross-defaults were released subsequently.

In addition, the late payment of LAT triggered cross-default of certain bank borrowing of Beijing Wangjing with principal amount and interest totalling RMB2,381,462,000 as at 31 December 2022.

The Cross-Defaulted Borrowings with principal amounts of RMB8,922,125,000 and interest of RMB10,595,000, including those with original contractual repayment dates beyond 31 December 2023, were reclassified as current liabilities as at 31 December 2022 as they are due upon demand if requested by the respective lenders.

(iv) On 24 March 2017, a subsidiary of the Company issued SOHO Fuxing Plaza Commercial Mortgage Backed Securities with an aggregate principal amount of RMB3,800,000,000. It has a term of 20 years, carries an interest rate of 4.66% per annum, and also embedded a put option at the end of each third year. The principal would be fully repayable should the investor exercise the put option in March 2023, therefore, the principal amount of RMB3,247,400,000 was classified as current liabilities as at 31 December 2022. The investor did not exercise the put option due by 1 March 2023.

(v) As at 31 December 2022, the current borrowings included (i) the Defaulted Borrowing and the Cross-Defaulted Borrowings of RMB668,315,000 and of RMB8,932,720,000 respectively; and (ii) the other borrowings, which are not yet overdue or defaulted but with contractual repayment dates prior to 31 December 2023, of RMB3,852,064,000.

8 TRADE AND OTHER PAYABLES

		As at 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Trade payables	*(i)*	**959,837**	1,017,607
Amounts due to related parties		**812,732**	812,732
Rental deposits		**216,259**	256,967
Other taxes payable		**200,057**	101,973
Deposits of sales of properties		**161,986**	–
Late payment fees and penalty fees		**127,937**	411,278
Payroll and welfare payables		**11,477**	9,093
Others		**452,813**	638,732
		2,943,098	3,248,382

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

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Due within 1 month or on demand	**959,837**	1,017,607

9 DIVIDENDS

The Board resolved not to declare a final dividend for the Year (2021: nil).

BUSINESS REVIEW

Market Review and Outlook

2022 was a year of unprecedented challenges for all of us. We saw continued geopolitical conflict, high inflation in major economies including Europe and the United States, and central banks reacting quickly to uncertainty by increasing interest rates, all of these developments, in stark contrast to what we have grown used to in recent decades, brought significant uncertainty to global economies. This severe and complex global environment presented China's economic reform and opening with unprecedented challenges to navigate − resurgence of the pandemic, weaker global and domestic demand, sluggish real-estate markets, and investor confidence was at low − all contributed to a period of overall economic downturn.

Despite this challenging economic environment, SOHO China managed to achieve stable results and growth in 2022. The Company booked an annual operating income of approximately RMB1,775 million up 1.9% year over year, and operating gross profit of approximately RMB1,438 million, up 2.7% over 2022 year over year.

Over the past year, we held strong as a united team and pushed back against the trend of economic slowdown. In 2022, we signed 118,000 square meters of newly leased areas and completed lease renewals and lease expansions for 95,000 square meters of leasable areas.

Over the past year, we overcame many difficulties and did our utmost to maintain service as usual. Even in the most difficult times, our colleagues in property management excelled in engineering, security, environment, and customer service, ensuring the normal operation of every building, and doing their absolute best to provide top quality service and problem solving solutions to our customers.

Over the past year, we shouldered our responsibility to pursue sustainable development. In November 2022, the MSCI World Energy Index raised SOHO China's Environmental, Social and Governance rating to AA. This is an important recognition of our Company's efforts in the areas of reducing carbon emissions, green architecture, investment in community, employee care, and corporate governance. In 2022, the total energy consumption exceeded national energy saving standards to save an additional 135 million kilowatt-hours and realizing an energy-saving rate of 34% and carbon reduction of 110,000 tons.

Over the past year, we grew stronger. Last year, the Company continued to promote "people-oriented" culture and organized more than 1,500 vocational training sessions for our employees. Additionally, we expanded the breadth and depth of employee training to help all SOHO China colleagues broaden their horizons and understand the cutting-edge technologies.

Over the past year, we have not forgotten to give back to society. In cities, SOHO China's employees actively participate in various public welfare activities, contributing their energy and expertise. In the countryside, the SOHO China Foundation funded "Yangzheng Kindergarten" is thriving and celebrated the first batch of graduating students last summer. The end of 2022 marked the completion of the "Yangzheng Library" made possible by the SOHO China Foundation.

We all look forward to 2023, a year filled with expectations. We remain optimistic about the prospects of this new year, and firmly believe that we have the capability to navigate and manage the challenges posed by external economic factors. In the coming year, we will continue to our commitment to learning and self-improving ourselves, as well as to reward our customers and the society with higher-quality properties, and better quality services.

Rental Portfolio

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 2022** *(RMB'000)*	**Occupancy Rate[2] as at 31 December 2022**	**Occupancy Rate[2] as at 30 June 2022**
Beijing				
Qianmen Avenue Project	51,889	61,856	48%	69%
Wangjing SOHO	149,172	275,204	62%	71%
Guanghualu SOHO II	94,279	194,595	85%	81%
Leeza SOHO	135,637	177,200	86%	82%
Galaxy and Chaoyangmen SOHO	46,293	72,382	64%	70%
Shanghai				
SOHO Fuxing Plaza	88,234	235,571	92%	92%
Bund SOHO	72,006	188,305	80%	84%
SOHO Tianshan Plaza	97,751	179,536	76%	80%
Gubei SOHO	112,541	255,659	91%	89%

Notes: 1. The leasable GFA (gross floor area) attributable to the Group as at 31 December 2022.
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 holds 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 total leasable GFA attributable to the Group is approximately 51,889 sq.m. of retail area. 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 already connected to subway line 14 to date and is adjacent to the planned subway lines 11 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 46,344 sq.m. is for office use and approximately 41,890 sq.m. is for retail use. The project was completed in September 2014.

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 112,541 sq.m.. The project was completed in January 2019.

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately RMB1,775 million for the Year, representing an increase of approximately 1.9% as compared with approximately RMB1,742 million in 2021, notwithstanding the impact of the resurgence of COVID-19 pandemic throughout the Year.

Profitability

Gross profit for the Year was approximately RMB1,438 million, representing an increase of approximately 2.7% as compared with approximately RMB1,400 million in 2021.

Gross profit margin was approximately 81% for the Year, as compared with approximately 80% in 2021.

Cost control

The Group continuously implemented effective cost control measure during the Year. Selling expenses for the year were approximately RMB50 million, as compared with approximately RMB40 million in 2021. Administrative expenses for the Year were approximately RMB181 million, as compared with approximately RMB195 million in 2021.

Finance income and expenses

Finance income for the Year was approximately RMB3 million, representing a decrease of approximately RMB53 million as compared with approximately RMB56 million in 2021, mainly due to the lower average fund balance available for investment during the Year.

Finance expenses for the Year were approximately RMB802 million, representing a decrease of approximately RMB113 million as compared with approximately RMB915 million in 2021, mainly due to the lower average borrowing balance during the Year.

Income tax expense

Income tax expense for the Year was approximately RMB443 million, representing a increase of approximately RMB54 million as compared with approximately RMB389 million in 2021.

Income tax of the Group was composed of PRC EIT, LAT and deferred tax. PRC corporate tax for the Year was approximately RMB45 million, as compared with approximately RMB28 million in the same period of 2021. LAT for the Year was approximately RMB214 million, as compared with nil in 2021. Deferred tax for the Year was approximately RMB184 million, as compared with approximately RMB360 million in 2021.

Bank borrowings, other borrowings and collaterals

As at 31 December 2022, total borrowings of the Group were approximately RMB16,185 million, As at 31 December 2022, borrowings of the Group of approximately RMB15,827 million were collateralized by the Group's investment properties.

As at 31 December 2022, net gearing ratio was approximately 43% (31 December 2021: approximately 44%), calculated based on net debt (total borrowings minus cash and cash equivalents minus restricted 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 2022, offshore borrowings were approximately RMB358 million, accounting for approximately 2.2% of total borrowings of the Group (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 2022 (31 December 2021: approximately 4.7%). 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 2022, the total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB11 million (31 December 2021: approximately RMB39 million).

Capital commitment

As at 31 December 2022, the Group's total capital commitment was approximately RMB17 million (31 December 2021: approximately RMB38 million).

Employees and remuneration policy

As at 31 December 2022, the Group had 1,722 employees, including 1,555 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 (2021: nil).

Closure of register of members

The register of members of the Company will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023, 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 Wednesday, 24 May 2023, 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 Thursday, 18 May 2023.

Share capital

As at 31 December 2022, the Company had 5,199,524,031 shares in issue (31 December 2021: 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 2022 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below paragraphs set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2022:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

As described in Note 2(a) to the consolidated financial statements, as at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB15,676,765,000. At the same date, the Group's total bank and other borrowings amounted to RMB16,184,982,000 (including the current portion of RMB13,453,099,000), and the Group had unrestricted cash and cash equivalents amounted to RMB345,725,000. As at 31 December 2022, the Group was in default of borrowing (the "**Defaulted Borrowing**") with principal amount totaling RMB59,682,000 because of non-payment at its due date. Such default event also triggered cross-defaults of certain other bank borrowings of the Group with aggregated principal amounts of RMB6,551,258,000 as at 31 December 2022.

In addition, Beijing Wangjing SOHO Real Estate Co., Ltd ("**Beijing Wangjing**"), a subsidiary of the Company, received a notice from the local tax authority in August 2022 demanding payment for the land appreciation tax ("**LAT**") of RMB1,733,334,000 relating to Tower 1 and Tower 2 of Wangjing SOHO project ("**Wangjing SOHO Project**") developed by Beijing Wangjing by 1 September 2022. Surcharges would be imposed at 0.05 percent per day on the outstanding LAT should payment was not made by the due date. As at 31 December 2022, RMB10,000,000 of the LAT was paid, and the remaining balance of the LAT together with surcharges totaling RMB1,851,271,000 were outstanding. The late payment of LAT triggered cross-defaults of certain bank borrowings of Beijing Wangjing SOHO with principal amounts and interest totaling RMB2,381,462,000 (together with the cross-defaulted borrowings mentioned in the previous paragraph, the "**Cross-Defaulted Borrowings**"). Furthermore, the local tax authority might impose other enforcement measures, including but not limited to detention, seizure and sale of the related properties as well as imposing penalties, which would be charged between 50% and 5 times of the outstanding LAT, due to the late payment of LAT.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern.

Management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are set out in Note 2(a) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including

a. successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund its operations and financial obligations as well as reaching agreements with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings on the restructuring of these borrowings and the ability of the Group to continuously comply with the restructured terms and conditions;

b. successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings that they will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interests of these borrowings;

c. successful and timely implementation of the plans to dispose of certain of its commercial properties and timely collection of the relevant proceeds in accordance with timelines projected by management in the Cash Flow Projections;

d. whether the local tax authority is agreeable to a settlement plan with the Group and not demand immediate payment of the outstanding LAT and related surcharges before the Group is able to secure sufficient funding to do so; as well as not taking any further actions against the Group including detention, seizure and sale of the Group's properties or imposing penalties; and

e. the Group's ability to generate operating cash flows to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

As a result of these multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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
Xu Jin **Qian Ting**
Executive Directors and
co-Chief Executive Officers

Hong Kong, 23 March 2023

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