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 2023

FINANCIAL HIGHLIGHTS

- The average occupancy of the Group's investment properties stabilized and recovered to approximately 78% as at 31 December 2023.

- Despite the office and retail property leasing markets being under continuing pressure due to weak macro-economic environment, the Group has achieved a revenue of approximately RMB1,679 million for the Year.

- Gross profit margin from property leasing business remained stable at approximately 82% for the Year.

- Loss attributable to owners of the Company was approximately RMB180 million for the Year. While, profit attributable to owners of the Company from operating activities (excluding valuation changes on investment properties and one-off tax charges) was approximately RMB269 million for the Year.

- As at 31 December 2023, the net gearing ratio of the Group was approximately 41%, and the 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 2023 (the "**Year**"), together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	*2*	**1,678,546**	1,775,090
Cost of sales		**(299,854)**	(337,495)
Gross profit		**1,378,692**	1,437,595
Fair value changes on investment properties		**(191,255)**	22,409
Other income and gains		**432,980**	593,843
Selling expenses		**(33,412)**	(49,979)
Administrative expenses		**(135,976)**	(181,132)
Other operating expenses and losses		**(638,268)**	(515,897)
Operating profit		**812,761**	1,306,839
Finance income	*3*	**11,636**	3,197
Finance expenses	*3*	**(778,190)**	(802,215)
Profit before income tax		**46,207**	507,821
Income tax expense	*4*	**(226,279)**	(443,316)
(Loss)/profit for the Year		**(180,072)**	64,505
(Loss)/profit attributable to:			
– Owners of the Company		**(179,899)**	61,208
– Non-controlling interests		**(173)**	3,297
(Loss)/profit for the Year		**(180,072)**	64,505
(Loss)/earnings per share *(RMB per share)*	*5*		
Basic (loss)/earnings per share		**(0.03)**	0.01
Diluted (loss)/earnings per share		**(0.03)**	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
(Loss)/profit for the Year	**(180,072)**	64,505
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**4,584**	18,296
Items that may not be reclassified to profit or loss		
Currency translation differences	**1,991**	12,181
Surplus on revaluation of office premises, net of tax	**–**	173,775
Other comprehensive income for the Year, net of tax	**6,575**	204,252
Total comprehensive (loss)/income for the Year	**(173,497)**	268,757
Total comprehensive (loss)/income for the Year attributable to:		
– Owners of the Company	**(173,748)**	266,475
– Non-controlling interests	**251**	2,282
	(173,497)	268,757

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Investment properties		**63,421,300**	63,785,300
Property and equipment		**940,876**	973,330
Intangible assets		**16**	73
Deferred tax assets		**831,264**	846,354
Trade and other receivables	*6*	**68,743**	68,743
Investment in other financial assets		**274,090**	266,895
Total non-current assets		**65,536,289**	65,940,695
Current assets			
Completed properties held for sale		**1,610,444**	1,708,284
Prepayments		**105,504**	104,466
Trade and other receivables	*6*	**535,782**	667,355
Restricted bank deposits		**60,076**	69,616
Structured bank deposits		**–**	10,968
Cash and cash equivalents		**769,461**	345,725
Total current assets		**3,081,267**	2,906,414
Total assets		**68,617,556**	68,847,109
EQUITY			
Equity attributable to owners of the Company			
Share capital		**106,112**	106,112
Other reserves		**36,160,759**	36,334,507
		36,266,871	36,440,619
Non-controlling interests		**928,153**	927,902
Total equity		**37,195,024**	37,368,521

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2023

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*7*	**10,707,093**	2,731,883
Long-term deposits		**308,821**	328,849
Deferred tax liabilities		**9,955,083**	9,834,677
Total non-current liabilities		**20,970,997**	12,895,409
Current liabilities			
Bank and other borrowings	*7*	**5,177,875**	13,453,099
Receipts in advance		**609,658**	387,510
Contract liabilities		**–**	4,011
Trade and other payables	*8*	**2,973,786**	2,943,098
Current income tax liabilities		**1,690,216**	1,795,461
Total current liabilities		**10,451,535**	18,583,179
Total liabilities		**31,422,532**	31,478,588
Total equity and liabilities		**68,617,556**	68,847,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRSs comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants

As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB7,370,268,000. During the year ended 31 December 2023, the Group has entered into supplemental agreements with the major existing lenders to revise the repayment instalment amounts for borrowings with total principal amounts of RMB7,201,564,000, including the bank borrowing with principal amount of RMB59,682,000 which the Group was unable to repay in December 2022. As at 31 December 2023, the Group's total bank and other borrowings amounted to RMB15,884,968,000 (including the current portion of RMB5,177,875,000 as disclosed in Note 7). The above borrowings were collateralized by the Group's investment properties recorded at a total carrying amount of RMB53,943,488,000. As at 31 December 2023, the Group had unrestricted cash and cash equivalents amounted to RMB769,461,000.

Beijing Wangjing SOHO Real Estate Co., Ltd. ("**Beijing Wangjing**"), a subsidiary of the Company, received a notice from a local tax authority in August 2022 demanding payment by 1 September 2022 of RMB1,733,334,000 for land appreciation tax ("**LAT**") relating to Towers 1 and 2 of the Wangjing SOHO project developed by Beijing Wangjing. Surcharges would be imposed at 0.05 percent per day on the outstanding LAT should payment not be made by the due date. As at 31 December 2023, RMB126,600,000 of the LAT demanded had been paid and the remaining balance of the LAT, together with surcharges totalling RMB2,043,215,000, were outstanding.

The late payment of LAT triggered cross-defaults of certain bank borrowings of the Group amounting to RMB4,203,000,000 as at 31 December 2023 (the "**Cross-Defaulted Borrowings**"). The Cross-Defaulted Borrowings with a total principal amount of RMB4,203,000,000 and interest of RMB14,179,000, including those with original contractual repayment dates beyond 31 December 2024, were reclassified as current liabilities as at 31 December 2023 as they are due upon demand if requested by the respective lenders.

Furthermore, in accordance with the Law on the Administration of Tax Collection, 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 that a material uncertainty exists that may cast significant doubt on 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 in proactive and continuous communications with the local tax authority on the outstanding LAT and surcharges and agreed with them a detailed settlement plan. The Group continued to dispose of certain of its commercial properties to settle a portion of the unpaid LAT. With the support and coordination of relevant government bodies and tax authorities, from 1 September 2022 to the date of approval of the consolidated financial statements, the Group has completed the sale of certain commercial properties, and settled LAT amounting to RMB126,600,000 by 31 December 2023 as mentioned above with a further payment of RMB12,000,000 post 31 December 2023 to the date of approval of this consolidated financial statements.

    The Group will continue to communicate with the local tax authority and take measures to dispose of further commercial properties in order to settle the outstanding LAT to mitigate any further potential negative impact due to late payment;

(b) The Group has been in active discussion and will continue its negotiation with certain of its leaders, including those of the Cross-Defaulted bank borrowings, to revise the repayment instalment amounts of the Group's existing borrowings. The Group will continue to communicate with the lenders of the Cross-Defaulted Borrowings not to take any actions against the Group that will require immediate payment of the principals and interest of these borrowings. Based on latest communications with the lenders of the Cross-Defaulted Borrowings, there is no indication that these lenders have any current intention to take action against the Group to demand immediate payment; and

(c) the Group will continue to take proactive measures to improve operating cash flow by controlling cost and expenses and containing capital expenditure.

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 2023. The Directors are of the opinion that, considering the above-mentioned 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 2023. 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 of the Company 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) whether the local tax authority will 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 it will take any further actions against the Group including detention, seizure and sale of the Group's properties or imposing penalties;

(b) whether the lenders of the bank and other borrowings, including those of the Cross-Defaulted Borrowings, will call for repayment ahead of the stipulated repayment dates as a result of any developments of the LAT or other matters; and

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

Should the Group be unable to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, 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.

(iii) Amended standards adopted by the Group

The Group has applied the following amended standards for its annual reporting period commencing 1 January 2023:

- HKFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies – Amendments to Hong Kong Accounting Standard ("**HKAS**") 1 and HKFRS Practice Statement 2;
- International Tax Reform-Pillar Two Model Rules-amendments to HKAS 12;
- Definition of Accounting Estimates – Amendments to HKAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12.

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 and amended standards and interpretations not yet adopted by the Group

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity 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 (the "**PRC**"). Revenue is analyzed as follows:

	Note	**2023** *RMB'000*	2022 *RMB'000*
Rental income		**1,671,863**	1,744,538
Sale of property units	*(i)*	**6,683**	30,552
		1,678,546	1,775,090

(i) During the year ended 31 December 2023, 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 2023 and 2022.

3 FINANCE INCOME AND FINANCE EXPENSES

	2023 *RMB'000*	2022 *RMB'000*
Finance income		
Interest income	**9,846**	3,197
Net foreign exchange gains	**1,790**	–
	11,636	3,197
Finance expenses		
Interest expenses on bank and other borrowings	**777,538**	801,783
Net foreign exchange loss	**–**	26
Bank charges and others	**652**	406
	778,190	802,215

4 INCOME TAX EXPENSE

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

	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**56,071**	45,187
– PRC LAT	**34,712**	213,804
Deferred income tax	**135,496**	184,325
	226,279	443,316

5 (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 RMB179,899,000 (2022: based on the profit attributable to owners of the Company of RMB61,208,000) and the weighted average number of 5,199,524,000 ordinary shares (2022: 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) (Loss)/profit attributable to owners of the Company

	2023	2022
	RMB'000	*RMB'000*
(Loss)/profit attributable to owners of the Company	**(179,899)**	61,208
(Loss)/profit attributable to owners of the Company (diluted)	**(179,899)**	61,208

(ii) Weighted average number of ordinary shares

	2023	2022
	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) (Loss)/earnings per share

	2023	2022
	RMB	*RMB*
Basic (loss)/earnings per share	**(0.03)**	0.01
Diluted (loss)/earnings per share	**(0.03)**	0.01

6 TRADE AND OTHER RECEIVABLES

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Non-current			
Other receivables		**68,743**	68,743
Current			
Trade receivables	*(i)*	**421,637**	505,663
Less: allowance for impairment of trade receivables	*(ii)*	**(46,667)**	(61,209)
Trade receivables – net		**374,970**	444,454
Amounts due from related parties		**24,740**	24,740
Amounts due from non-controlling interest		**46,493**	46,493
Other receivables		**199,949**	261,121
Less: allowance for impairment of other receivables	*(ii)*	**(110,370)**	(109,453)
Other receivables – net		**160,812**	222,901
Total of current portion		**535,782**	667,355

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2023 and 2022.

(i) Aging analysis

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Amounts not past due	**341,893**	301,624
Less than 1 month past due	**15,567**	29,334
1 to 6 months past due	**10,053**	65,854
6 months to 1 year past due	**7,579**	47,926
More than 1 year past due	**46,545**	60,925
Amounts past due	**79,744**	204,039
	421,637	505,663

(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	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowings	**10,246,278**	10,434,191
Other borrowings	**5,638,690**	5,750,791
	15,884,968	16,184,982

(ii) The borrowings repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year or on demand	**5,177,875**	13,453,099
After 1 year but within 2 years	**1,905,000**	221,081
After 2 years but within 5 years	**3,001,537**	2,160,802
After 5 years	**5,800,556**	350,000
	10,707,093	2,731,883
	15,884,968	16,184,982

(iii) Compliance with loan covenants

As at 31 December 2023, the current borrowings included (i) the Cross-Defaulted Borrowings of RMB4,217,179,000; and (ii) the other borrowings, which are not yet overdue or defaulted but with contractual repayment dates prior to 31 December 2024, of RMB960,696,000.

8 TRADE AND OTHER PAYABLES

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Trade payables	*(i)*	**911,636**	959,837
Amounts due to related parties		**812,732**	812,732
Late payment fees		**436,481**	127,937
Rental deposits		**222,540**	216,259
Other taxes payable		**89,727**	200,057
Deposits of sales of properties		**11,058**	161,986
Payroll and welfare payables		**9,740**	11,477
Others		**479,872**	452,813
		2,973,786	2,943,098

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	
	2023	2022
	RMB'000	*RMB'000*
Due within 1 month or on demand	**911,636**	959,837

9 DIVIDENDS

The Board resolved not to declare a final dividend for the year ended 31 December 2023 (2022: Nil).

BUSINESS REVIEW

Market Review and Outlook

Commercial real estate serves as a critical economic barometer, reflecting the pulse and dynamism of urban development. The trajectory of the commercial state is crucial, not only to the sector itself, but it is also crucial to the overall economic landscape. In the past year, the commercial property market was impacted by a variety of factors: a global economic slowdown put persistent pressure on rental prices and occupancy rates, while shifts in consumer behavior and digital transformation intensified competition in the market.

For SOHO China, 2023 was a year of significant challenges. The Company's principal business is office leasing, and the Company's income is a multiple relationship between rent and occupancy rate.

Facing the unfavourable situation of double decline in rents and occupancy rates, we adjusted our strategy in a timely manner to concentrate our focus on maintaining occupancy rates. We managed to maintain 78% occupancy rates by the year's end. While this may not seem to be such an impressive number, this figure represents the resilience of every member of our team who has faced adversity head on.

Facing the pressure of reduced revenues, the Company endeavored to cut costs. In 2023, we had practically eliminated entertainment expenses to nearly none. By the year's end, we had to make the difficult decision to reduce employees' salaries across the Group. This was a test for all SOHO China's employees, but we are very grateful that everyone chose to unite and work together to overcome the difficulties!

Every person, and every company, has been undergoing a stretch and stress test, and our capacity to withstand external pressure is a significant test for each of us. Thankfully, we have not fractured under the strain, and we have remained flexible and resilient, continuing to fulfill our responsibilities and deliver quality service to our customers.

In the past year, we worked hard to explore the market, identify and develop new customers, while wholeheartedly serving our customers, working with them to overcome their difficulties, and ensuring that the hundreds of thousands of people who work in our office buildings are assured safety and efficiency.

In the past year, we actively participated in charity and public welfare activities, and tried our best to reduce carbon emissions and make our contributions to the society. In April 2023, the "Yangzheng Library" we built to donate was completed and put into use, becoming one of the first real zero-carbon buildings in China. Moreover, we achieved the highest possible rating of five-stars from Global Real Estate Sustainability Benchmark (GRESB). A civilized society cultivates both material and spiritual wealth; individual progress goes hand in hand with societal advancement. By helping others, we become more compassionate and broaden our perspectives.

Forwarding to 2024, despite we are facing many changes and uncertainties, we have no reason to be pessimistic. The advent of artificial intelligence ("**AI**") heralds a new era for humanity. 2023 has been touted as the inaugural year for AI. We should see that technological progress has always been the most important force driving social progress. Looking back over the past few decades, what has brought about the biggest change is the popularization of the internet. The internet has completely changed people's lives and ways of working, and it has improved production and efficiency, brought about a broad range of business opportunities, and equipped our Company with the ability to create platforms for efficient management. Our Company's name, SOHO, is representative of embracing new ways of working made possible by embracing the internet. We learn from and deeply respect the scientists and entrepreneurs who have promoted the popularization of the internet.

Another industry that has changed significantly is our real estate industry. In just two or three decades, our living conditions, office environment, and urban environment have undergone earth-shattering changes. This is not due to the achievements of the real estate industry alone, but it is the result of the joint efforts of dozens of industries and greater society. It is also the inevitable result of people's pursuit of a better life. The demand was the root, and the powers of developers, banks, and builders, have enabled us to reap this beautiful fruit.

But looking ahead, the impact of AI and new technologies is poised to build upon and surpass that of the internet and real estate. Like the steam engine during the Industrial Revolution, AI promises a future brimming with hope and potential. We must embrace change and let new technologies empower us and SOHO China.

When we see our hardworking colleagues, with families and children eager to learn, we are reminded that diligence, hard work, wisdom, and purity of spirit are social development's greatest asset. Market uncertainty can foster pessimism, but what we lack of the most is not capital, not demand, or market, but confidence. Lack of confidence is nearly universally acknowledged. What does it take to build confidence? It needs speech, action, and ideological concepts. As the wise Chinese sages suggest "unity of knowledge and action" is required to establish confidence. Action is more important than words, and thinking is the direction and guide of action.

While fire puts gold to the test, money tests the Company and every person. In the coming year, and especially in hard times, we must uphold the integrity that has long defined the Company.

Every employee is a cell within a company's body, and every company is a cell within the larger organism of society. Cells are working through their functions, through their interaction with other organisms, and ensure the health of the body. Only when every person acts as a tiny cell, performing their duty and uniting together, can the Company operate in a healthy manner, and contribute to the larger organism that is greater society.

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 2023** *(RMB'000)*	**Occupancy Rate[2] as at 31 December 2023**	**Occupancy Rate[2] as at 30 June 2023**
Beijing				
Qianmen Avenue Project	51,889	80,084	67%	62%
Wangjing SOHO	149,172	232,493	60%	64%
Guanghualu SOHO II	94,279	190,282	85%	84%
Leeza SOHO	135,637	183,166	88%	89%
Galaxy and Chaoyangmen SOHO	46,293	63,439	56%	61%
Shanghai				
SOHO Fuxing Plaza	88,234	229,895	87%	90%
Bund SOHO	72,006	191,265	84%	95%
SOHO Tianshan Plaza	97,751	175,914	79%	78%
Gubei SOHO	112,541	241,391	89%	91%

Notes:
1. The leasable GFA (gross floor area) attributable to the Group as at 31 December 2023.
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

Despite the office and retail property leasing markets being under continuing pressure due to weak macro-economic environment, the Group has achieved revenue of approximately RMB1,679 million for the Year, representing a decrease of approximately 5.4% as compared with approximately RMB1,775 million in 2022.

Profitability

Gross profit for the Year was approximately RMB1,379 million, representing a decrease of approximately 4.1% as compared with approximately RMB1,438 million in 2022.

Gross profit margin from property leasing business was approximately 82% for the Year, as compared with approximately 81% in 2022.

Cost control

The Group continuously implemented effective cost control measures during the Year. Selling expenses for the Year were approximately RMB33 million, as compared with approximately RMB50 million in 2022. Administrative expenses for the Year were approximately RMB136 million, as compared with approximately RMB181 million in 2022.

Finance income and expenses

Finance income for the Year was approximately RMB12 million, representing an increase of approximately RMB9 million as compared with approximately RMB3 million in 2022.

Finance expenses for the Year were approximately RMB778 million, representing a decrease of approximately RMB24 million as compared with approximately RMB802 million in 2022.

Income tax expense

Income tax expense for the Year was approximately RMB226 million, representing a decrease of approximately RMB217 million as compared with approximately RMB443 million in 2022.

Income tax of the Group was composed of PRC corporate income tax, LAT and deferred tax. PRC corporate income tax for the Year was approximately RMB56 million, as compared with approximately RMB45 million in the same period of 2022. LAT for the Year was approximately RMB35 million, as compared with RMB214 million in 2022. Deferred tax for the Year was approximately RMB135 million, as compared with approximately RMB184 million in 2022.

Bank borrowings, other borrowings and collaterals

As at 31 December 2023, total borrowings of the Group were approximately RMB15,885 million. As at 31 December 2023, borrowings of the Group of approximately RMB15,885 million were collateralized by the Group's investment properties.

As at 31 December 2023, net gearing ratio was approximately 41% (31 December 2022: approximately 43%), 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 2023, offshore borrowings of the Group were approximately RMB358 million, accounting for approximately 2.3% of total borrowings of the Group (31 December 2022: offshore borrowings were approximately RMB358 million, accounting for approximately 2.2% of total borrowings of the Group). In the meantime, the Company's average funding cost remained relatively low at approximately 4.7% as at 31 December 2023 (31 December 2022: 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 2023, the total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB8 million (31 December 2022: approximately RMB11 million).

Capital commitment

As at 31 December 2023, the Group's total capital commitment was approximately RMB2 million (31 December 2022: approximately RMB17 million).

Employees and remuneration policy

As at 31 December 2023, the Group had 1,646 employees, including 1,492 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 related services 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 (2022: Nil).

Closure of register of members

The register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024, 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 Friday, 24 May 2024, 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 Monday, 20 May 2024.

Share capital

As at 31 December 2023, the Company had 5,199,524,031 shares in issue (31 December 2022: 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 C3 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 C1 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 2023 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.

SCOPE OF WORK OF AUDITORS

The financial figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been compared by the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31 December 2023. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

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 2023, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates that as at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB7,370 million At the same date, the Group's total bank and other borrowings amounted to RMB15,885 million (including the current portion of RMB5,178 million). As at 31 December 2023, the Group had unrestricted cash and cash equivalents amounted to RMB769 million. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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
Chairman

Hong Kong, 28 March 2024

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. Xiong Ming Hua and Mr. Zhang Mingeng.