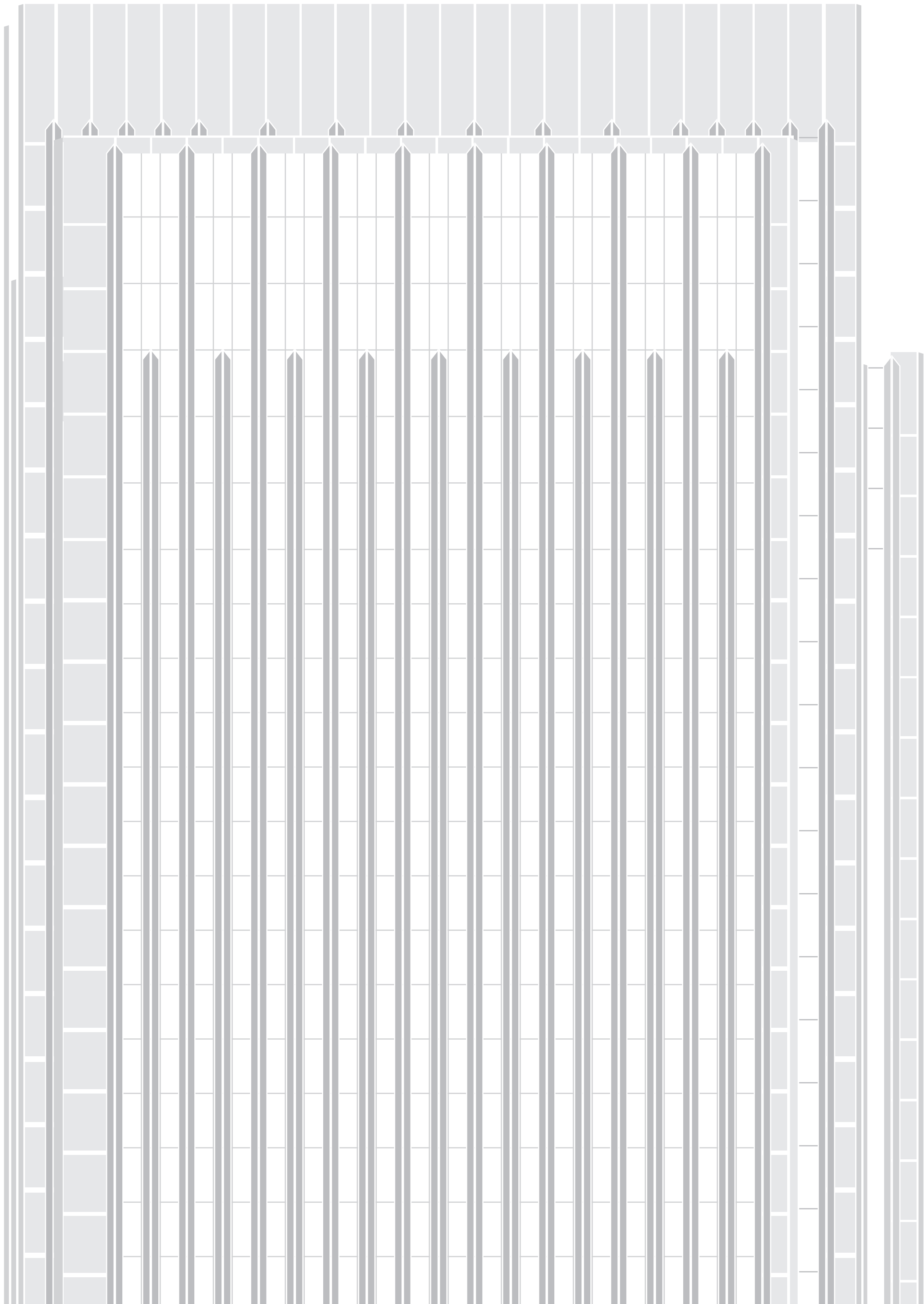
Stock Code: 410

SOHO CHINA LIMITED

2022 | ANNUAL REPORT



SOHO
China

The board (the "Board") of directors (the "Director(s)") of SOHO China Limited (the "Company", "we" or "SOHO China") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 (the "Year"), together with the comparative figures for the year ended 31 December 2021.

Contents

Chairman's Statement

Business Review and Market 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 ESG 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 tonnes.

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 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, as well as to reward our customers and the society with higher-quality properties and better quality services.

Business Review

The details of rental income and occupancy rates of major investment properties of the Group were as follows:

Projects	Leasable GFA[1] (sq.m.)	Rental Income 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 & 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 People's Republic of China ("PRC").

Wangjing SOHO

Guanghualu SOHO II

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

Guanghualu SOHO II

Qianmen Avenue project

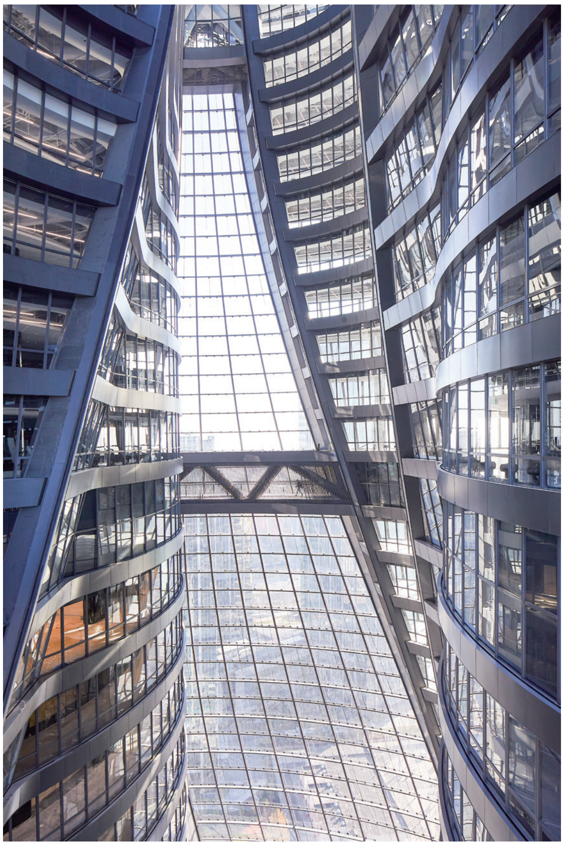
Qianmen Avenue project is located in the Qianmen area, immediate south of Tiananmen Square and within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. The total leasable GFA attributable to the Group is approximately 51,889 sq.m. of retail area. The Group has 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.

Qianmen Avenue project

Leeza SOHO

Leeza SOHO is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is 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.



Leeza SOHO

MAJOR PROJECTS IN SHANGHAI

SOHO Fuxing Plaza

SOHO Fuxing Plaza is located at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway lines 10 and 13. It is right next to Shanghai Xintiandi, the most bustling and diverse commercial area of Shanghai. SOHO Fuxing Plaza has a total GFA of approximately 124,068 sq.m. and a leasable GFA of approximately 88,234 sq.m., of which approximately 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.

SOHO Fuxing Plaza

Bund SOHO

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

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

Bund SOHO

SOHO Tianshan Plaza

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

SOHO Tianshan Plaza has a total GFA of approximately 155,827 sq.m.. The office and retail parts of SOHO Tianshan Plaza were completed in December 2016, with a total leasable GFA of approximately 97,751 sq.m., including approximately 74,498 sq.m. of office area and approximately 23,253 sq.m. of retail area. Hyatt Place Shanghai Tianshan Plaza, which is located at SOHO Tianshan Plaza, was completed in November 2017 and has started operation since the end of February 2018.

SOHO Tianshan Plaza

Gubei SOHO

The land for Gubei SOHO is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District, only 1 kilometer away from SOHO Tianshan Plaza.

The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Ma'nao Road to the west and Hongqiao Road to the north. The project is accessible underground from Yili Station on subway line 10 and with close proximity to Gubei Fortuna Plaza and other Grade A office buildings.

The project has a total GFA of approximately 156,654 sq.m. and a total leasable GFA of approximately 112,541 sq.m.. The project was completed in January 2019.

Gubei SOHO

Management Discussion & Analysis

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 continuous impact of the 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 Enterprise Income Tax (“EIT”), Land Appreciation Tax (“LAT”) and deferred tax. PRC EIT 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 1,721 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.

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

Dividend Policy

The Board has approved and adopted a dividend policy (the "Dividend Policy") which, in recommending or declaring dividends, allows shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Company's future growth.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company (the "Articles of Association") and all applicable laws and regulations. There is no assurance that a dividend will be proposed or declared in any particular amount for any given period.

The Board shall consider the following factors before declaring or recommending dividends:

- property operation results;
- cash flow situation;
- actual and expected financial performance;
- capital requirements and expenditure plans;
- market conditions and business strategies; and
- any other factors that the Board may consider relevant.

Any dividend for a financial year of the Company will be subject to the shareholders' approval and must not exceed the amount recommended by the Board. The Board will continue to review the Dividend Policy from time to time.

FINANCIAL INFORMATION SUMMARY

A summary of the published financial results and of the assets and liabilities of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

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

	2022	2021	2020(Note)	2019(Note)	2018(Note)
Unit: RMB'000					
Revenue	**1,775,090**	1,741,739	2,191,637	1,847,091	1,720,860
Profit before income tax	**507,821**	264,792	1,600,066	1,919,195	2,957,422
Income tax expense	**(443,316)**	(388,744)	(1,056,600)	(599,169)	(1,008,774)
Profit/(loss) for the year	**64,505**	(123,952)	543,466	1,320,026	1,948,648
Profit/(loss) attributable to:					
Owners of the Company	**61,208**	(131,098)	535,604	1,331,193	1,924,966
Non-controlling interests	**3,297**	7,146	7,862	(11,167)	23,682
Basic earnings/(loss) per share (RMB)	**0.01**	(0.03)	0.10	0.26	0.37
Diluted earnings/(loss) per share (RMB)	**0.01**	(0.03)	0.10	0.26	0.37
Interim dividend per share (RMB)	**–**	–	–	–	–
Final dividend per share (RMB)	**–**	–	–	–	0.03
Special dividend per share (RMB)	**–**	–	–	–	–

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

	2022	2021	2020(Note)	2019(Note)	2018(Note)
Unit: RMB'000					
Non-current assets	**65,940,695**	65,824,792	65,519,879	64,346,629	61,027,478
Current assets	**2,906,414**	4,621,723	5,184,356	5,382,387	9,071,567
Current liabilities	**18,583,179**	6,960,706	6,006,594	6,847,605	8,994,514
Non-current liabilities	**12,895,409**	26,386,045	27,150,628	25,765,272	25,311,094
Net assets	**37,368,521**	37,099,764	37,547,013	37,116,139	35,793,437
Share capital	**106,112**	106,112	106,112	106,112	106,112
Other reserves	**36,334,507**	36,068,032	36,522,962	35,964,422	34,640,698
Total equity attributable to owners of the Company	**36,440,619**	36,174,144	36,629,074	36,070,534	34,746,810
Non-controlling interests	**927,902**	925,620	917,939	1,045,605	1,046,627
Total equity	**37,368,521**	37,099,764	37,547,013	37,116,139	35,793,437

Note: Extracted from the published audited financial statements in each of the relevant years.

SHARE CAPITAL

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

RESERVES

Details of changes in the reserves of the Company and the Group during the Year are set out in the consolidated statements of changes in equity.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws of the Cayman Islands.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Pan Shiyi
Mrs. Pan Zhang Xin Marita
Ms. Xu Jin *(Co-Chief Executive Officer)*
Mr. Qian Ting *(Co-Chief Executive Officer)*

Independent Non-executive Directors ("INEDs")

Mr. Huang Jingsheng *(Non-Executive Chairman)*
Mr. Sun Qiang Chang
Mr. Xiong Ming Hua

Each of Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita entered into a service contract with the Company for a term of three years commencing from 1 January 2021, which may be terminated by either party by serving not less than one month's prior written notice. Mr. Huang Jingsheng has entered into an appointment letter with the Company for a term of three years commencing from 1 August 2021, which may be terminated by either party serving not less than three months' written notice to the other. Each of Mr. Sun Qiang Chang and Mr. Xiong Ming Hua has entered into an appointment letter with the Company for a term of three years commencing from 8 May 2021, which may be terminated by either party serving not less than three months' written notice to the other.

In accordance with Article 86(3) of the current Articles of Association, Ms. Xu Jin and Mr. Qian Ting shall hold office until the next following annual General meeting of the Company ("AGM") after their appointment, and being eligible, have offered themselves for re-election.

In accordance with Article 87(1) of the current Articles of Association, Mrs. Pan Zhang Xin Marita and Mr. Xiong Ming Hua shall retire by rotation at the AGM, and being eligible, have offered themselves for re-election.

Save as disclosed above, no Director standing for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any such subsidiary within one year without payment of compensation other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Executive Directors

Mr. Pan Shiyi

Mr. Pan Shiyi ("Mr. Pan"), age 60, is an executive Director of the Company. Mr. Pan and his wife Mrs. Pan Zhang Xin Marita co-founded SOHO China in 1995, and together they have led the Company to become one of the most prolific prime office developers in China with over 5 million sq.m. of projects in Beijing and Shanghai. Renowned for their iconic architecture and design, SOHO China's collaborations with world renowned architects have transformed city skylines.

Mr. Pan is a well-regarded media and online influencer with over 18 million followers on Sina Weibo. In addition to his expertise in property development and urbanization, he is known for his commitment in environmental protection and public welfare.

In 2005, Mr. Pan and his wife Mrs. Pan Zhang Xin Marita established the SOHO China Foundation to support education focused initiatives in China. In 2014, the Foundation launched the SOHO China Scholarships to provide financial aid to Chinese undergraduate students at leading international universities. Mr. Pan has also let the SOHO China Foundation to undertake a series of public welfare projects in Northwest China including the Yang Zheng Kindergarten and Yang Zheng Library.

In 2015, Mr. Pan and Ms. Zhang joined the Breakthrough Energy Coalition led by Mr. Bill Gates to fund development of clean energy technology. Mr. Pan has served as a visiting fellow at the Harvard Kennedy School, and is as a member of the Special Olympics Senior Advisory Committee for the East Asia region.

Mrs. Pan Zhang Xin Marita

Mrs. Pan Zhang Xin Marita ("Ms. Zhang"), aged 57, is an executive Director of the Company. As a Co-Founder and former CEO of SOHO China, Ms. Zhang is one of China's most celebrated female entrepreneurs. Renowned for her iconic collaborations with international architects that have transformed Chinese skylines, Ms. Zhang has been acclaimed as the "woman who built Beijing".

Born in Beijing in 1965, Ms. Zhang moved to Hong Kong at age 14, where she labored as a factory girl for five years. At 19, Ms. Zhang ventured to the UK where she earned a Bachelor's degree in Economics from the University of Sussex and a Master's degree in Development Economics from Cambridge University. Education served as a springboard to launch a career in investment banking with Goldman Sachs. In 1995 she returned to Beijing to Co-Found SOHO China, the Company has since become one of country's most prolific developers of office property with over 5 million sq.m. of projects in Beijing and Shanghai. In 2002, Ms. Zhang was awarded a special prize at the 8th la Biennale di Venezia for Commune by the Great Wall, a private collection of architecture featuring the works of 12 Asian architects.

In 2005, Ms. Zhang and her husband Pan Shiyi established the SOHO China Foundation to support education focused initiatives in China. In 2014, the Foundation launched the SOHO China Scholarships to provide financial aid to Chinese undergraduate students at leading international universities.

Ms. Zhang serves as Trustee of MoMA and is a Member of the Harvard Global Advisory Council. She holds an honorary Doctor of Laws from the University of Sussex and has served as visiting fellow at the Harvard Kennedy School.

Ms. Xu Jin

Co-Chief Executive Officer

Ms. Xu Jin (**"Ms. Xu"**), aged 51, is an executive Director and Co-Chief Executive Officer of the Company. Ms. Xu formerly served as the Vice President of the Company and was responsible for assets and property management. Ms. Xu joined the Company in February 2001 and has since then served as Director of Human Resources Department, Director of Procurement Department and Vice President of the Company. Ms. Xu received a Bachelor's degree in Engineering Management from Beijing Wuzi University in 1994. She has over 20 years of relevant experience in the real estate development industry in the PRC.

Mr. Qian Ting

Co-Chief Executive Officer

Mr. Qian Ting (**"Mr. Qian"**), aged 46, is an executive Director and Co-Chief Executive Officer of the Company. Mr. Qian formerly served as the Vice President of the Company and was responsible for property leasing and sales. Mr. Qian joined the Company in October 2002 and has since then served as the Director of Leasing Department and the Vice President of the Company. Mr. Qian received a Bachelor's degree in Trade and Economy from Renmin University of China in 2000. Mr. Qian has over 20 years of experience in property sales and leasing in the PRC.

Independent Non-executive Directors

Mr. Huang Jingsheng

Non-executive Chairman of the Board

Mr. Huang Jingsheng (**"Mr. Huang"**), aged 65, is an independent non-executive Director and the non-executive Chairman of the Board. From July 2014 to June 2020, Mr. Huang acted as Managing Executive Director at Harvard Center Shanghai ("**Harvard**"). He came to Harvard from a distinguished venture capital and private equity career. Most recently, Mr. Huang was Partner of TPG Growth and RMB Funds, based in Shanghai, China. Prior to that, he was Managing Director at Bain Capital LLC, where he set up and ran its Shanghai operations. His other investment positions included Managing Director China at SOFTBANK Asia Infrastructure Fund, Partner at SUNeVision Ventures and Senior Manager of Strategic Investment at Intel Capital. Before his investment career, Mr. Huang worked as Director of Marketing and Research Operations at Gartner Group, Co-founder/Vice President of Marketing at Mtone Wireless and English Lecturer at Communication University of China. Before joining Harvard, Mr. Huang served as member of the Board of Governors at China Venture Capital Association and Deputy Chairman of Shanghai Private Equity Association. Mr. Huang received an MBA from Harvard Business School, an MA from Stanford University and a BA from Beijing Foreign Studies University. Mr. Huang served as an independent non-executive director of Besunyen Holdings Company Limited from May 2010 to June 2019, which is listed in the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Huang serves as a non-executive director in Yiren Digital Limited, which is listed in the New York Stock Exchange.

Mr. Sun Qiang Chang

Mr. Sun Qiang Chang ("Mr. Sun"), aged 66, is an independent non-executive Director of the Company. He is the Managing Partner for China at TPG, a global alternative investment firm. Prior to joining TPG, he founded and was the Chairman of Black Soil Group Ltd., an agriculture impact investing company. Before founding Black Soil, he was the Chairman, Asia Pacific at Warburg Pincus, a global private equity firm. Prior to joining Warburg Pincus, he was the Executive Director of Asia Investment Banking Department at Goldman Sachs Hong Kong. Mr. Sun has extensive experience in private equity investments for approximately 30 years.

Mr. Sun obtained his Bachelor of Arts degree from the Beijing Foreign Studies University and completed a post-graduate program offered by the United Nations, where he worked as a staff translator in New York for 3 years. Mr. Sun earned a joint degree of MA/MBA from the Joseph Lauder Institute of International Management and the Wharton School of the University of Pennsylvania.

Mr. Sun is the founder and current honorary chairman of the China Venture Capital and Private Equity Association (CVCA) and the founder and current Executive Vice Chairman the China Real Estate Developers and Investors' Association (CREDIA). Mr. Sun is also a member of the Board of Governors of the Lauder Institute at the Wharton School and a member of The China Entrepreneur Club. Mr. Sun served as a non-executive director of Phoenix Media Investment (Holdings) Limited, which is listed on the main board of the Stock Exchange, from August 2019 to November 2021. Mr. Sun acts as an independent director of GDS Holdings Limited, which is listed on the Nasdaq Global Market in the United States and the main board of the Stock Exchange. He served as a non-executive director of Duiba Group Limited, which is listed on the main board of the Stock Exchange, from May 2018 to December 2019.

Mr. Xiong Ming Hua

Mr. Xiong Ming Hua ("Mr. Xiong"), aged 58, is an independent non-executive Director of the Company. Mr. Xiong is the founder and chairman of Seven Seas Partners, a venture capital firm focusing on investing cross border technology companies in the United States and China. Mr. Xiong was the former Chief Technology Officer for Tencent Holdings Limited (a company listed on the Stock Exchange, Hong Kong Stock Code: 700) from 2005 to 2013, where he was responsible for product strategy planning of the overall platform, new product innovation, research and development of core technologies, and management for engineering excellence. Previously he worked at Microsoft Corporation for 9 years as program manager in Internet Explorer, Windows and MSN product groups, and as founding director of MSN China Development Center. Prior to that, Mr. Xiong worked as staff programmer of Internet Division of IBM Corporation in New York. Mr. Xiong received his Bachelor of Engineering Degree in Information System Engineering from National University of Defense Technology in 1987 and a Master of Science Degree in Information Retrieval from Chinese Defense Science and Technology Information Center in Beijing in 1990. Mr. Xiong acts as an independent director of Telling Telecommunication Holding Co., Ltd., which is listed on the Shenzhen Stock Exchange.

Senior Management

Mr. Zhu Enlei

Chief Financial Officer

Mr. Zhu Enlei, aged 42, is our Chief Financial Officer and responsible for the management of finance and investor relationship related matters. Prior to joining the Company in June 2019, Mr. Zhu worked at KPMG and a company listed on the Stock Exchange, and has over 15 years of experience in finance, audit and corporate compliance areas. Mr. Zhu Enlei is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Chinese Institute of Certified Public Accountants. Mr. Zhu obtained a bachelor degree in business administration and a master degree in management from Capital University of Economics and Business in 2003 and 2006 respectively.

Ms. Huang Hongyu

Vice President

Ms. Huang Hongyu, aged 52, is our Vice President. She is in charge of the company's management of platform information, design, and procurement. Ms. Huang joined the Company in September 2006, and acted as Electromechanical Director, Chief Engineer, Director of Platform Management Center and Vice President. Ms. Huang received here Master Degree in Heating and Ventilation from Tianjin University in 1995, and her Doctor Degree in Architectural Engineering from Concordia University in Canada in 2003. She possesses over 20 years of experience in designing and management of platform information.

Ms. Lu Wei

Vice President

Ms. Lu Wei, aged 50 is our Vice President. She is in charge of the Company's human resources, internal audit as well as property and service quality control. Ms. Lu joined the Company in 2008, and acted as Human Resources Director, Member of the Management Committee, and Vice President. Ms. Lu received her Bachelor's Degree in English for Science and Technology from Tianjin University in 1994, and was accredited a Master's Degree in Software Engineering from Beihang University in 2019. Ms. Lu has over 20 years of experience in human resources management and related areas.

Ms. Liu Yang

General Counsel

Ms. Liu Yang, aged 41, is our General Counsel and is responsible for legal affairs, regulatory compliance and risk management. Ms. Liu joined the Company in June 2021. She received a Bachelor's degree of English Language from China Foreign Affairs University in 2005 and a Master's degree in International Economic Law from China Foreign Affairs University in 2008. Ms. Liu has PRC legal professional qualification certificate. Prior to joining the Company, Ms. Liu was head of M&A legal team at a large internet company and served for over nine years in leading international and PRC law firms.

Company Secretary

Ms. Ng Sau Mei

Ms. Ng Sau Mei is the company secretary of the Company (the "Company Secretary"). Ms. Ng is a director and head of the Listing Services Department of TMF Hong Kong Limited (a corporate secretarial service provider). She has over 20 years of professional experience in the company secretarial industry, and is a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

DIRECTORS' REMUNERATION

The Directors' remunerations are determined by the Board, as authorized by the Company's annual general meeting held on 24 May 2022 (the "2022 AGM"), with reference to the Directors' duties, responsibilities and performance as well as the financial results of the Group.

Remuneration details of each Director for the year ended 31 December 2022 are set out as follows:

Name	Fees	Salary	Discretionary bonuses	Housing Allowance	Other benefits	Employer's contribution to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Pan Shiyi	264	3,753	–	43	–	96	4,156
Pan Zhang Xin Marita	264	–	–	–	–	–	264
Xu Jin *(Co-Chief Executive Officer)*	83	895	–	15	6	32	1,031
Qian Ting *(Co-Chief Executive Officer)*	83	629	–	15	6	32	765
Independent non-executive Directors							
Huang Jing Sheng *(non-executive Chairman of the Board)*	375	–	–	–	–	–	375
Xiong Ming Hua	318	–	–	–	–	–	318
Sun Qiang Chang	318	–	–	–	–	–	318
Total	1,705	5,277	–	73	12	160	7,227

During the Year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived or agreed to waive any remuneration during the Year.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration is determined with reference to the senior management's duties, responsibilities and performance, as well as the financial results of the Group.

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management of the Group of by band for the year ended 31 December 2022 is as follows:

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

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

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) (the "SFO")), which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, are as follows:

(i) Interests in the ordinary shares of the Company

Name	Personal interests	Family interests	Corporate interests	Number of ordinary shares	Approximate percentage of shareholding
Pan Shiyi	–	3,324,100,000 (L) *(Note 2)*	–	3,324,100,000 (L)	63.9309%
Pan Zhang Xin Marita	–	–	3,324,100,000 (L) *(Note 3)*	3,324,100,000 (L)	63.9309%

Notes:

(1) *(L) represents long position in shares or underlying shares.*

(2) *Mr. Pan Shiyi had deemed interests in 3,324,100,000 shares held by his spouse, Mrs. Pan Zhang Xin Marita as mentioned in Note (3) below. According to the DI form filed by Mr. Pan Shiyi on 1 January 2018, Mr. Pan Shiyi is now a beneficiary of a discretionary trust (the "Trust") that was founded by his spouse, Mrs. Pan Zhang Xin Marita.*

(3) *Each of Boyce Limited and Capevale Limited ("Capevale BVI"), both of which were incorporated in the British Virgin Islands, was interested in 1,662,050,000 shares. Boyce Limited and Capevale BVI are the wholly-owned subsidiaries of Capevale Limited ("Capevale Cayman"), which was incorporated in the Cayman Islands. Cititrust Private Trust (Cayman) Limited (in its capacity as trustee) is the legal owner of 100% of the shares in the issued share capital of Capevale Cayman. Cititrust Private Trust (Cayman) Limited held these shares under the Trust, for the benefit of the beneficiaries of the Trust, including Mrs. Pan Zhang Xin Marita.*

(ii) Interests in the ordinary shares of the Company's associated corporations

Name	Name of associated corporation	Nature of interest	Share capital (USD)	Approximate percentage of shareholding
Pan Shiyi	Beijing Redstone Jianwai Real Estate Development Co., Ltd.	Interest of controlled corporation	1,275,000 *(Note)*	4.25%
	Beijing SOHO Real Estate Co. Ltd.	Beneficial owner	4,950,000	5.00%
	Beijing Redstone Newtown Real Estate Co., Ltd.	Beneficial owner	500,000	5.00%
	Beijing Shanshi Real Estate Co., Ltd.	Beneficial owner	1,935,000	5.00%

Note: These interests were held by Beijing Redstone Industry Co., Ltd..

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors or the chief executive of the Company, the following shareholders of the Company had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Cititrust Private Trust (Cayman) Limited *(Note 2)*	Trustee	3,324,100,000 (L)	63.9309% (L)
Capevale Cayman *(Note 2)*	Interests of controlled corporation	3,324,100,000 (L)	63.9309% (L)
Boyce Limited *(Note 3)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)
Capevale BVI *(Note 4)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)

Notes:

(1) (L) represents long position in shares or underlying shares.

(2) Cititrust Private Trust (Cayman) Limited (in its capacity as trustee of the Trust) is the legal owner of 100% of the shares in the issued share capital of Capevale Cayman. Capevale Cayman wholly owns Boyce Limited and Capevale BVI, each of which was interested in 1,662,050,000 shares. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to be interested in the 3,324,100,000 shares held by Boyce Limited and Capevale BVI via its interest in Capevale Cayman under the Trust for the benefit of the beneficiaries, including Mrs. Pan Zhang Xin Marita.

(3) Boyce Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Cayman.

(4) Capevale BVI, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Cayman.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2022, there was no other person who had interest or short position in the shares or underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded into the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance, in relation to the Group's business to which the Company or any of its subsidiaries was a party in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Company's prospectus dated 21 September 2007, at the end of the Year, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

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

PERMITTED INDEMNITY PROVISION

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

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

DONATIONS

During the Year, the Group made charitable donations of approximately RMB15,000,000 (2021: approximately RMB10,010,000).

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions entered into by the Group in the ordinary course of business during the Year are set out in Note 29 to the consolidated financial statements. The Board confirms none of the related party transactions as disclosed under Note 29 to the consolidated financial statements fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2022, the percentage of revenue from sales of goods or rendering of services to the Group's five largest customers amounted to approximately 13%.

For the year ended 31 December 2022, the percentage of purchases from the Group's five largest suppliers amounted to approximately 15%, and the Group's largest supplier accounted for approximately 5%.

So far as the Board is aware, neither the Directors, their close associates nor any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers during the Year.

BUSINESS REVIEW

A review of the business of the Group during the Year and discussion on the Group's future business development are provided in Business Review section on pages 4 to 12. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 2 to 3 of this annual report. Also, the financial risk management policies of the Group can be found in Note 3 to the audited consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Management Discussion & Analysis section on pages 13 to 14, and in the section headed "Financial Information Summary" on page 16 of this annual report. Relationships with its key stakeholders are provided in the Directors' Report on pages 15 and 29 of this annual report. Compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 30 to 46 of this annual report.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MATERIAL LEGAL PROCEEDINGS

To the knowledge of the Directors, there was no material legal proceedings during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Year.

AUDITOR

The consolidated financial statements of the Group for the Year have been audited by PricewaterhouseCoopers ("PwC"). There was no change in the auditor of the Company in the preceding three years.

On behalf of the Board

Xu Jin **Qian Ting**
Executive Directors and Co-Chief Executive Officers
Hong Kong
23 March 2023

Corporate Governance Report

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and safeguarding the interests of the shareholders of the Company. The Company has adopted sound governance and disclosure practices, and is committed to continuously improving these practices and inculcating an ethical corporate culture.

Upholding the core corporate culture of "honesty, solidarity and creativity," the Company revised the Management System on Innovation, Governmental Award, and Awards for Reasonable Proposal in 2022. The Company encourages employees to be proactive in learning and innovating, closely follows up on national development policies, explores new processes, new methods, and improvements, and dares to propose reasonable suggestions for processes and services.

Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report of the Company.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company has also adopted an insider dealing policy to govern and regulate securities transactions by employees who are likely to be in possession of inside information relating to the Company, the terms of which are no less exacting than those of the Model Code. The Company had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. Under the leadership of the Chairman, the Board is also responsible for approving and overseeing the overall strategies and policies of the Company, approving the annual budget and business plans, assessing the Company's performance and supervising the work of the senior management.

The running of the day-to-day businesses of the Company is delegated by the Board to the management who is working under the leadership and supervision of the Board committees except that authority is reserved for the Board to approve interim and annual financial statements, dividend policy, annual budgets, business plan, and significant operational matters.

As at 31 December 2022, the Board comprised seven Directors, including four executive Directors, namely Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Xu Jin (Co-Chief Executive Officer) and Mr. Qian Ting (Co-Chief Executive Officer); and three independent non-executive Directors, namely Mr. Sun Qiang Chang, Mr. Xiong Ming Hua and Mr. Huang Jingsheng (Chairman) (details of their biographical information are set out in the section headed "Biographies of Directors and Members of Senior Management" of this annual report).

Regular Board meetings are held at least four times a year (at quarterly intervals) and any ad hoc meeting will be held when necessary. At least fourteen days' notice will be given to all the Directors prior to any regular Board meeting and any relevant materials to be presented to a Board meeting will be provided to Directors at least three days before such Board meeting. The Directors are appointed by shareholders of the Company through ordinary resolutions or appointed by the Board to fill any casual vacancy on the Board or for new addition to the Board. At each annual general meeting, one-third (or, if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being shall retire from office by rotation but are eligible for re-election and re-appointment.

Mr. Pan Shiyi, is the husband of Mrs. Pan Zhang Xin Marita, an executive Director of the Company. Save as disclosed above, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Board is established in accordance with the provisions of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise and the number of independent non-executive Directors represented at least one-third of the Board.

The Board's composition demonstrates a balance of core competence with regard to the business of the Company, so as to provide effective leadership and the required expertise to the Company.

Liability insurance for Directors and senior management officers was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICERS

The Chairman of the Board and the Co-Chief Executive Officers of the Company are currently two separate positions. The Chairman of the Board is held by Mr. Huang Jingsheng. The Co-Chief Executive Officers are held by Ms. Xu Jin and Mr. Qian Ting. The Chairman of the Board is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that issues raised at the Board meetings are explained appropriately. The Co-Chief Executive Officers of the Company are responsible for the day-to-day management of the business of the Company, implementation of the policies, business objectives and plans set by the Board, and are accountable to the Board for the overall operation of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors were appointed for a term of three years, subject to retirement by rotation at the AGM and being eligible, to offer themselves for re-election.

Pursuant to the guidelines provided in Rule 3.13 of the Listing Rules, the Company has received the confirmation of independence from each of the independent non-executive Directors, and thus the Board considers such Directors to be independent persons. The Board believes that the independent non-executive Directors are able to offer independent opinions on the Company's development strategy, risk management and management process, etc. so that the interests of the Company and all shareholders will be taken into consideration and duly safeguarded.

MECHANISMS FOR ENSURING INDEPENDENT VIEWS AND INPUT

During the Year, the following mechanisms are in place and remain effective in ensuring independent views and input are available to the Board:

- A sufficient number of three independent non-executive Directors (representing more than one-third of the Board) having extensive experience and in-depth knowledge continuing to provide independent views and input to the Board on the business affairs of the Company.

- The Nomination Committee assesses the independence of each independent non-executive Directors on an annual basis and the re-appointment of any independent non-executive Director is subject to the approval at the annual general meeting by way of ordinary resolution.

- Policy and procedures are in place to avoid any potential conflict of interests. Any Director who has a material interest in any transaction relating to the Company shall abstain from voting on any Board resolution approving the same matter.

- Each Director is required to ensure that he/she can give sufficient time and attention to the affairs of the Company and contribute to the development of the Company's strategy and policies through independent, constructive and informed comments.

- The Board and its committees are entitled to seek independent professional advice on issues relevant to the Company from external professional consultants and advisors as deemed necessary.

BOARD MEETINGS AND SHAREHOLDERS' MEETINGS

The Company held five Board meetings and the 2022 AGM during the year. Directors' attendance records at Board meetings and the 2022 AGM are set out below:

Directors	Attendance/ No. of Board Meetings	2022 AGM
Executive Directors		
Pan Shiyi	5/5	1/1
Pan Zhang Xin Marita	5/5	0/1
Xu Jin *(Note)*	1/5	0/1
Qian Ting *(Note)*	1/5	0/1
Independent non-executive Directors		
Huang Jingsheng	5/5	0/1
Xiong Ming Hua	5/5	0/1
Sun Qiang Chang	5/5	0/1

Note: Ms. Xu Jin and Mr. Qian Ting were appointed as executive Directors with effect from 7 September 2022.

During the Board meetings, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company.

PROVISION AND USE OF INFORMATION

- Minutes of all Board meetings and meetings of the Board committees are kept by designated secretaries, and will be available for inspection by any Director after giving reasonable notice.
- All Directors are entitled to receive advice and services from the Company Secretary to ensure due compliance with the terms of reference of the Board.
- Directors may have recourse to seek independent advice from professionals as appropriate and such fees incurred shall be borne by the Company.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Sun Qiang Chang, Mr. Xiong Ming Hua and Mr. Huang Jingsheng. The Audit Committee is chaired by Mr. Sun Qiang Chang, who has the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Audit Committee is provided with sufficient resources to discharge its duties.

The Audit Committee is authorized by the Board to review the relevant financial reports and to give recommendations and advices. Its duties include:

1. **Relationship with the Company's auditors**

   The duty to make recommendations to the Board on the appointment, re-appointment or removal of external auditors; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; to develop and implement policies on the engagement of the external auditors for providing non-audit services; to meet with the external auditors and discuss matters relating to the audit, if necessary, in the absence of the senior management of the Company.

2. **Review of financial information of the Company**

   The duty to monitor the integrity of financial statements of the Company as set out in the Company's annual reports and accounts and half-yearly reports, and to review any significant views of financial reporting contained in them.

3. **Monitor the Company's financial reporting system, risk management and internal control systems**

   Each of the Company's operational departments has established internal audit and supervisory functions for its operating procedures. The Audit Committee will also review the financial reporting system, risk management and internal control systems, discuss the risk management and internal control systems with the senior management to ensure the senior management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, as well as training programs and budgets of accounting and financial reporting functions.

Details of the authorities and duties of the Audit Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange.

In 2022, two meetings were held by the Audit Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meetings
Sun Qiang Chang *(Chairman)*	2/2
Huang Jingsheng	2/2
Xiong Ming Hua	2/2

The Audit Committee had reviewed the internal audit plan report submitted by the internal audit department and the risk management and internal control systems, and recommended the Board on risk management and internal control matters. The Audit Committee had also reviewed the adequacy of resources, the interim results for the six months ended 30 June 2022 and the audited consolidated annual results of the Company for the year ended 31 December 2022 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

The Audit Committee had reviewed the auditors' fee for the year 2022, and recommended the Board to appoint or re-appoint the auditors of the Company for the year 2023, which is subject to the approval of shareholders of the Company at the forthcoming AGM.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises one executive Director and three independent non-executive Directors, namely Mr. Pan Shiyi, Mr. Huang Jingsheng, Mr. Sun Qiang Chang, and Mr. Xiong Ming Hua. The Remuneration Committee is chaired by Mr. Huang Jingsheng. The Remuneration Committee is mainly responsible for determining remuneration packages of individual executive Directors and senior management of the Company, and making recommendations for the remuneration arrangements of non-executive Directors to the Board. Details of the authorities and duties of the Remuneration Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange. The Remuneration Committee is provided with sufficient resources to perform its duties.

During the Year, two meeting was held by the Remuneration Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Huang Jingsheng *(Chairman)*	2/2
Pan Shiyi	2/2
Sun Qiang Chang	2/2
Xiong Ming Hua	2/2

A complete record of the minutes of the Remuneration Committee meetings is kept by the Company Secretary. The Remuneration Committee had reviewed the Company's remuneration policies, the terms of the service contracts and the remuneration packages include benefits in kind, pension rights and compensation payments; and the performance of all executive Directors and the senior management. In the opinion of the Remuneration Committee, the remuneration payable to all executive Directors and the senior management is in accordance with the terms of the service contracts, such remuneration is fair and reasonable, and does not create any additional burden for the Company; ensure none of the Directors or any of their associates determine their own remuneration, and review and/or approve the matters relating to the share option scheme of the Company.

Remuneration details of each Director for the year of 2022 are set out in the section headed "Directors' Remuneration" of the Directors' Report and Note 30 to the audited consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises one executive Director and two independent non-executive Directors, namely Mr. Pan Shiyi, Mr. Xiong Ming Hua and Mr. Huang Jingsheng. The committee is chaired by Mr. Huang Jingsheng. Details of the authorities and duties of the Nomination Committee are set out in its terms of reference which can be downloaded from the websites of the Company and the Stock Exchange. The Nomination Committee is provided with sufficient resources to discharge its duties. Its roles are highlighted as follows:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) to assess the independence of the independent non-executive Directors;

(4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and chief executive of the Company;

(5) to conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable law; and

(6) to ensure the chairman of the Nomination Committee, or in the absence of the chairman, another member of the Nomination Committee or failing this his duly appointed delegate, to be available to answer questions at the AGM of the Company.

(7) to review the Board Diversity Policy at least annually to ensure its continued effectiveness from time to time.

During the Year, two meeting was held by the Nomination Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Huang Jingsheng *(Chairman)*	2/2
Pan Shiyi	2/2
Xiong Ming Hua	2/2

During the Year, the Nomination Committee had reviewed and discussed the number of employees and the Board structure and composition of the Company and the policy of nomination of Directors.

PROCEDURES FOR NOMINATION OF DIRECTORS

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the required written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Nomination Committee meeting to discuss and assess the suitability of the candidate and where appropriate, make recommendations to the Board.

7. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

CRITICIA FOR NOMINATION OF DIRECTORS

1. **Common criteria for all Directors**
   (a) Character and integrity.

   (b) Willingness to assume board fiduciary responsibilities.

   (c) Satisfying the present needs of the Board for particular experience or expertise.

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products/services and processes used by the Company.

   (e) Significant business or public experience relevant and beneficial to the Board and the Company.

   (f) Breadth of knowledge about issues affecting the Company.

   (g) Ability to objectively analyse complex business problems and exercise sound business judgement.

   (h) Ability and willingness to contribute special competencies to Board activities.

   (i) Fit into the Company's culture.

2. **Criteria applicable to non-executive Directors/independent non-executive Directors**
   (a) Willingness and ability to make sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and Board committee meetings.

   (b) Accomplishments of the candidate in his/her field.

   (c) Outstanding professional and personal reputation.

   (d) For an independent non-executive Director, the candidate's ability to meet the independence criteria under the Listing Rules.

BOARD DIVERSITY POLICY

The Company adopted its board diversity policy (the "Board Diversity Policy") on 20 August 2013.

The Board Diversity Policy sets out the approach to achieve diversity on the Board, details of which are set out below.

Policy Statement

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factors.

The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of having a diverse Board. The Company believes that a diversity of perspectives can be achieved through taking into account a range of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company sees promoting diversity of perspectives at the Board level as an essential element in supporting the achievement of its business and strategic objectives and maintaining its sustainable development.

As at 31 December 2022, the Board has two female Directors out of the total seven Directors and is committed to improving gender diversity as and when suitable candidates are identified.

In striving to maintain gender diversity, similar considerations are used when selecting and recruiting key management and other personnel. As at 31 December 2022, the Group maintained a 28%:72% ratio of female to male in the workplace (including senior management).

Measurable Objectives

The Nomination Committee has primary responsibility for identifying qualified candidates to become members of the Board and, in carrying out this responsibility, will give adequate consideration to this Board Diversity Policy. Board appointments will continue to be made on the basis of merit and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE (“ESG COMMITTEE”)

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

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

During the Year, one meeting was held by the ESG Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Huang Jingsheng *(Chairman)*	1/1
Pan Shiyi	1/1
Pan Zhang Xin Marita	1/1

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2022 and of ensuring that the preparation of the consolidated financial statements of the Group is in accordance with the applicable standards and requirements.

GOING CONCERN AND MITIGATION MEASURES

Multiple Uncertainties Relating to Going Concern

As disclosed in Note 2(a) to the consolidated financial statement, the Group's current liabilities exceeded its current assets by RMB15,676,765,000 as at 31 December 2022. 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. As a result, the entire outstanding principal amount and interest of this borrowing of RMB668,315,000 (the "Defaulted Borrowing") were reclassified as current liabilities as at 31 December 2022 as these amounts would be immediately repayable if requested by the banks. This default event may trigger 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, was unable to timely and fully settle land appreciation tax ("LAT") relating to Wangjing SOHO project ("Wangjing SOHO Project"). As at 31 December 2022, the outstanding aggregate balance of the LAT and related surcharges was RMB1,851,271,000. The late settlement of LAT may trigger cross-default of certain bank borrowing of Beijing Wangjing with principal amount and interest totalling 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 above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern.

Disclaimer of Opinion (the "Disclaimer Opinion")

In accordance with the above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern, the Company's auditor, PwC, issued a disclaimer of opinion on the consolidated financial statements of the Group, details of which are set out in the independent auditor's report.

Management's Position, View And Assessment on the Disclaimer Opinion

During the course of the audit of the consolidated annual results for the year ended 31 December 2022 ("2022 Annual Results"), the management of the Company (the "Management") worked in detail throughout with the external auditor, PwC, and concurred with PwC that certain of the material issues reviewed in the course of the audit cast significant doubt on the Company's ability to continue as a going concern.

In parallel with the audit process, Management worked intensively to develop plans to mitigate the material uncertainties identified. With the lifting of COVID-19 control measures and the relaxation of regulatory policies on real estate industry in recent months, Management concluded, after due and careful analysis, that accelerating the sale of properties would be the most effective way to manage the liquidity requirements of the Company.

Accordingly, the Management (i) is actively communicating and coordinating with the government authorities responsible for the sale of properties ("Property Bureaus") in Beijing and Shanghai to apply for approval for property sales; and (ii) is also engaging in ongoing discussions with relevant banks regarding the extension of the Defaulted Borrowing.

As of now, Management has been in frequent communication with Property Bureaus, and expects the restrictions in relation to the sale of properties to be lifted in 2023. In addition, on 20 March 2023, the Group entered into a supplemental agreement with banks to extend the repayment of the Defaulted Borrowing to 30 June 2023. The default and cross-defaults were therefore temporarily resolved.

After due and careful analysis of the Group's cash flow projections, Management is of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the 2023 financial year. Accordingly, Management is satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Board concurs with Management's analysis. Considering that the Company's core assets are all high-quality commercial properties located in prime locations of Beijing and Shanghai that have entered into mature operations, and the fair value of the portfolio of the Company amounted to RMB63,785 million in total, the net gearing ratio was 43%, and the total shareholder equity was RMB37,369 million, and with an average financing cost of 4.7% at the end of 2022, the Board believes that the Company is well positioned in the real estate industry in terms of asset quality, debt ratio and funding cost. Once approval for property sales is granted by the relevant government authorities, the quality and market competitiveness of Company's properties will enable an effective sale process which will provide sufficient financial support for the Company.

Audit Committee's View towards the Disclaimer Opinion

The Audit Committee has discussed with Management and the Board regarding the going concern issue. On the basis of Management's plans and measures to address the Disclaimer Opinion as described above and in more detail in the action plan below, the Audit Committee has agreed with the view of Management and the Board that these plans and measures will address the going concern issue.

The Audit Committee also discussed and understood the concerns of PwC that uncertainties exist as to whether the Management will be able to achieve its plans and measures as described above. There is no disagreement between the Board, Management and the Audit Committee with the position taken by PwC regarding the going concern issue.

Proposed Action Plan to resolve the Going Concern issue and the Disclaimer Opinion

The Company has given careful consideration to 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 taken by Management to mitigate the Group's liquidity pressure and to improve its cashflows include the following:

- communicate and coordinate with Property Bureaus in Beijing and Shanghai to apply for approval for property sales; and

- maintain ongoing discussions with banks and financial institutions to apply for extension and renewal of existing financing, as well as to seek refinancing with other financial institutions.

As of now, the Company has been in frequent communication with Property Bureaus, and expects the restrictions in relation to the sale of properties to be lifted in 2023.

In addition, 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 temporarily resolved.

The Board has discussed the matters in relation to going concern issues with Management, and agrees with the action plan that the Company has prepared to address these issues. The Board is of the opinion that, subject to the successful implementation of the action plan, the Company's cash flow situation will be significantly improved, and that the uncertainties concerning the Company's ability to continue as a going concern will be resolved in the 2023 financial year.

PwC is of the view that (i) any future modification of the auditor's report due to multiple uncertainties relating to going concern would depend on new events and/or future developments in relation to the Company's actions taken and proposed actions to be taken to address the Disclaimer Opinion and the material uncertainties as described in note 2(a) to the consolidated financial statements for year ended 31 December 2022; and (ii) new events and/or future developments in relation to such actions taken and proposed actions to be taken may affect the assessment on adoption of going concern basis for preparation of the consolidated financial statements for the year ending 31 December 2023. Thus, it would not be possible for PwC to definitively conclude at this point in time on whether the Disclaimer Opinion due to multiple uncertainties relating to going concern would have been addressed in respect of the consolidated financial statements for the year ending 31 December 2023.

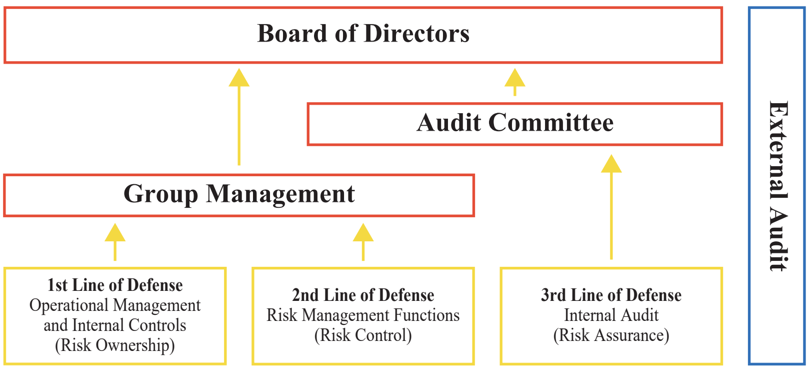
RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The Risk Management and Compliance department and the Group Internal Audit assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept regularly appraised of significant risks that may impact on the Group's performance.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with the relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Nevertheless, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than to eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the "Three Lines of Defense" model as shown below:



The Risk Management and Compliance department, which co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committee at each regularly scheduled meeting including, amongst other things, significant risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to the Risk Management and Compliance department on a half-yearly basis.

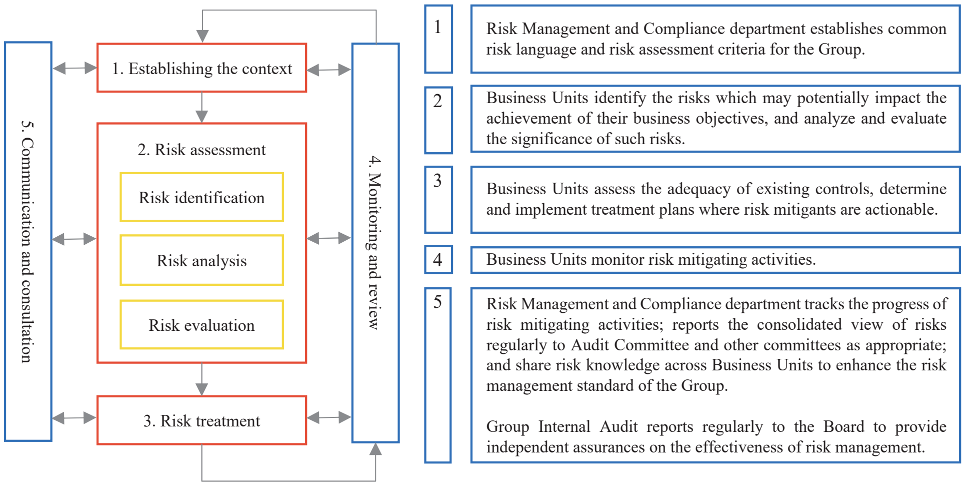
The Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls.

The Group Internal Audit adopts a risk-and-control-based audit approach. The annual work plan of the Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. Special reviews are also performed at the management's request. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progresses are reported to the Audit Committee periodically.

The Group Internal Audit provides independent assurance to the Board, the Audit Committee and the executive management of the Group on the adequacy and effectiveness of risk management and internal control systems for the Group. The Head of Group Internal Audit reports directly to the Chairman of the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the Group.

The senior management of the Group, supported by the Risk Management and Compliance department and the Group Internal Audit, is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems, and for providing regular reports to the Board and/or the Audit Committee on the effectiveness of these systems.

The Group adopts the principles of ISO 31000:2009 Risk Management – Principles and Guidelines as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:



The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Group and its business practices in the future.

The Group has embedded its risk management and internal control systems into the core operating practices of the business. On an ongoing basis, the respective operating units of the Company will review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. This review process includes assessment as to whether the existing risk management and internal control systems continue to remain relevant, adequately address potential risks, and/or should be supplemented. The results of these reviews are recorded in the operating units' risk registers for monitoring and incorporated into the Group's consolidated risk register for analysis of potential strategic implications and for regular reporting to the senior management and Directors of the Company.

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairman of the Audit Committee has designated the Head of Group Internal Audit to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

The Group regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During the Year, the Risk Management and Compliance department has worked closely with the operating units, senior management and the Directors to enhance the Group's risk management and internal control systems. Such activities included, amongst other matters, increasing the number of training sessions and risk workshops; further standardization of risk reporting language, classification, and quantification; more closely aligning the assessment of internal controls with their potential risks; and increasing the depth and frequency of interaction with the designated Directors on the Group's risk management and internal control systems' design, operation, and findings. The Risk Management and Compliance department has presented update reports to the Board and the Audit Committee on the monitoring of the risk management and assisted the Directors in the review of the effectiveness of the risk management and internal control systems of the Group during the Year.

During the Year, the Group Internal Audit conducted selective reviews of the effectiveness of the risk management and internal control systems of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and procurement. Additionally, the heads of major business and corporate functions of the Group were required to undertake control and self-assessments of their key controls. These results were assessed by the Group Internal Audit and reported to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results or operations of the Group and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit, financial reporting functions and ESG performance and reporting.

In addition to the review of the risk management and internal control systems undertaken within the Group, the external auditors also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditors' recommendations are adopted and enhancements to the risk management and internal controls will be made.

AUDITORS' REMUNERATION

For the year ended 31 December 2022, remunerations paid and payable by the Group to its auditors for the provision of statutory audit services and non-auditing services amounted to RMB3.35 million including audit service fee of RMB2.0 million and non-audit service fee of RMB1.35 million. The non-auditing services mainly represented review of interim financial information.

EFFECTIVE COMMUNICATION WITH THE INVESTMENT COMMUNITY

The Company attaches great importance to effective and close communications with investors. The investor relations team of the Company seeks to provide the most efficient and effective channel for our shareholders and the investment community to gain information about the Company. In addition to the regular interim and annual results announcements and reports and daily communications through emails and phone calls, the investor relations team also participates in global investment conferences. The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

COMPANY SECRETARY

The Company engaged Ms. Ng Sau Mei, a director and head of the Listing Services Department of TMF Hong Kong Limited, as its Company Secretary during the Year. Her primary corporate contact person is Ms. Liu Yang, the General Counsel. In compliance with Rule 3.29 of the Listing Rules, Ms. Ng, has undertaken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting and putting forward proposals

Under the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting (an "EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to convene and put forward proposals at an EGM are stated as follows:

(1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong situated at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for the attention of the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, the Directors do not proceed to convene an EGM, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

Shareholders of the Company who intend to put forward their enquiries about the Company to the Board may email their enquiries to ir@sohochina.com.

Amendments to the Company's memorandum and articles of association

There was no significant change in the Company's constitutional documents during the Year.

The Stock Exchange has amended Appendix 3 of the Listing Rules relating to, among other things, the core shareholder protection standards for shareholders' information and protection. Certain amendments to the Listing Rules came into effect on 1 January 2022. In this regard, the Board proposes to seek the approval of the shareholders of the Company by way of special resolution at the forthcoming AGM to be held on 24 May 2023, to amend the current articles of association of the Company and the adoption of the second amended and restated articles of association incorporating and consolidating all the proposed amendments for the purposes of complying with the latest legal and regulatory requirements, including the amendments to Appendix 3 to the Listing Rules.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his or her first appointment in order to enable him or her to have an understanding of the business and operations of the Company and be fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

During the Year, all the Directors, namely Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Xu Jin, Mr. Qian Ting, Mr. Huang Jingsheng, Mr. Sun Qiang Chang and Mr. Xiong Ming Hua, were provided with regular updates on the Group's business, operations, and financial matters, as well as regulatory updates on applicable legal and regulatory requirements. In addition, all Directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancements of their professional development by way of attending training courses or via on-line aids or reading relevant materials.

Corporate Information

Executive Directors	Pan Shiyi Pan Zhang Xin Marita Xu Jin *(Co-Chief Executive Officer)* Qian Ting *(Co-Chief Executive Officer)*
Independent Non-executive Directors	Huang Jingsheng *(non-executive Chairman)* Sun Qiang Chang Xiong Ming Hua
Company Secretary	Ng Sau Mei
Members of the Audit Committee	Sun Qiang Chang *(Chairman)* Huang Jingsheng Xiong Ming Hua
Members of the Remuneration Committee	Huang Jingsheng *(Chairman)* Pan Shiyi Sun Qian Chang Xiong Ming Hua
Members of the Nomination Committee	Huang Jingsheng *(Chairman)* Pan Shiyi Xiong Ming Hua
Members of the ESG Committee	Huang Jingsheng *(Chairman)* Pan Shiyi Pan Zhang Xin Marita
Authorized Representatives	Pan Zhang Xin Marita Ng Sau Mei
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11/F, Tower A Chaowai SOHO 6B Chaowai Street Chaoyang District Beijing 100020 China

CORPORATE INFORMATION

Principal Place of Business in Hong Kong	31/F Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Principal Share Registrar and Transfer Office in the Cayman Islands	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3, Building D P.O. Box 1586, Gardenia Court, Camana Bay Grand Cayman KY1-1110 Cayman Islands
Branch Share Registrar and Transfer Office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Hong Kong Legal Advisors	DLA Piper 25th Floor, Three Exchange Square 8 Connaught Place Central, Hong Kong
Auditors	PricewaterhouseCoopers Certified Public Accountants Registered Public Interest Entity Auditor 22/F, Prince's Building 10 Chater Road Central, Hong Kong
Principal Bankers	Agricultural Bank of China Bank of China Bank of Communications China Everbright Bank China Merchants Bank Industrial and Commercial Bank of China Standard Chartered Bank (Hong Kong) The Hong Kong and Shanghai Banking Corporation
Website address	www.sohochina.com
Stock Code	410

Independent Auditor's Report

To the Shareholders of SOHO China Limited
(incorporated in the Cayman Islands with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of SOHO China Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 128, which comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 totalling 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 totalled RMB1,851,271,000 were outstanding. 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 (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 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.

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.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters 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 due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Chong Heng Hon.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

Consolidated Income Statement

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	*5*	**1,775,090**	1,741,739
Cost of sales	*6*	**(337,495)**	(341,984)
Gross profit		**1,437,595**	1,399,755
Valuation gains on investment properties	*12*	**22,409**	289,000
Other income and gains	*8*	**593,843**	508,014
Selling expenses	*6*	**(49,979)**	(39,783)
Administrative expenses	*6*	**(181,132)**	(195,205)
Other operating expenses	*6*	**(515,897)**	(838,036)
Operating profit		**1,306,839**	1,123,745
Finance income	*9*	**3,197**	55,726
Finance expenses	*9*	**(802,215)**	(914,679)
Profit before income tax		**507,821**	264,792
Income tax expense	*10*	**(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)			
Basic earnings/(loss) per share	*11*	**0.01**	(0.03)
Diluted earnings/(loss) per share	*11*	**0.01**	(0.03)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) for the year	**64,505**	(123,952)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences	**18,296**	(49,935)
Items that will 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/(loss) for the year, net of tax	**204,252**	(49,935)
Total comprehensive income/(loss) for the year	**268,757**	(173,887)
Total comprehensive income/(loss) for the year attributable to:		
– Owners of the Company	**266,475**	(181,568)
– Non-controlling interests	**2,282**	7,681
	268,757	(173,887)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investment properties	*12*	**63,785,300**	63,656,000
Property and equipment	*13*	**973,330**	1,091,172
Intangible assets		**73**	561
Deferred tax assets	*16*	**846,354**	840,719
Trade and other receivables	*19*	**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	*17*	**1,708,284**	1,737,526
Prepayments	*18*	**104,466**	231,337
Trade and other receivables	*19*	**667,355**	455,634
Restricted bank deposits	*20*	**69,616**	84,858
Structured bank deposits	*20*	**10,968**	1,377,670
Cash and cash equivalents	*21*	**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	*25*	**106,112**	106,112
Other reserves	*25*	**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

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*22*	**2,731,883**	16,333,819
Long-term deposits		**328,849**	456,433
Deferred tax liabilities	*16*	**9,834,677**	9,595,793
Total non-current liabilities		**12,895,409**	26,386,045
Current liabilities			
Bank and other borrowings	*22*	**13,453,099**	1,663,789
Receipts in advance	*23*	**387,510**	299,807
Contract liabilities	*23*	**4,011**	86,352
Trade and other payables	*24*	**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

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved by the Board of Directors on 23 March 2023 and were signed on its behalf.

Xu Jin
Name of Director

Qian Ting
Name of Director

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Exchange reserve	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	25	*25(b)*	*25(c)*	*25(c)*					
Balance at 1 January 2022		106,112	1,596	(1,672,110)	983,566	36,754,980	36,174,144	925,620	37,099,764
Profit for the year		–	–	–	–	61,208	61,208	3,297	64,505
Other comprehensive income		–	–	31,492	173,775	–	205,267	(1,015)	204,252
Total comprehensive income for the year		–	–	31,492	173,775	61,208	266,475	2,282	268,757
Realization of revaluation surplus due to disposal of office premises		–	–	–	(27,004)	27,004	–	–	–
Transfer of revaluation surplus upon certain properties becoming investment properties		–	–	–	(119,847)	119,847	–	–	–
Balance at 31 December 2022		106,112	1,596	(1,640,618)	1,010,490	36,963,039	36,440,619	927,902	37,368,521

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Exchange reserve	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	25	*25(b)*	*25(c)*	*25(c)*					
Balance at 1 January 2021		106,112	1,596	(1,621,640)	983,566	36,886,078	36,355,712	917,939	37,273,651
Loss for the year		–	–	–	–	(131,098)	(131,098)	7,146	(123,952)
Other comprehensive income		–	–	(50,470)	–	–	(50,470)	535	(49,935)
Total comprehensive income for the year		–	–	(50,470)	–	(131,098)	(181,568)	7,681	(173,887)
Balance at 31 December 2021		106,112	1,596	(1,672,110)	983,566	36,754,980	36,174,144	925,620	37,099,764

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Proceeds from rendering of services	**1,789,570**	2,336,430
Proceeds from sales of properties	**35,963**	–
Refund of taxes and surcharges	**303**	798
Interest received	**2,871**	58,640
Cash received relating to other operating activities	**104,735**	61,329
Cash paid for properties or services	**(155,114)**	(251,864)
Cash paid to and on behalf of employees	**(197,595)**	(192,371)
Payments of taxes and surcharges	**(262,177)**	(246,263)
Income tax paid	**(71,679)**	(530,429)
Interest paid	**(815,400)**	(908,412)
Cash paid relating to other operating activities	**(566,669)**	(271,599)
Net cash (outflow)/inflow from operating activities	**(135,192)**	56,259
Cash flows from investing activities		
Payment for development costs and purchase of investment properties	**(76,201)**	(143,184)
Purchase of property and equipment	**(5,615)**	(21,586)
Decrease in structured bank deposits	**1,366,702**	943,834
Investment income from financial assets	**24,908**	16,980
Proceeds from disposal of investment properties	**325,490**	–
Proceeds from disposal of property and equipment	**45,382**	311
Investment in other financial assets	**(23,810)**	(38,947)
Net cash inflow from investing activities	**1,656,856**	757,408

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from bank and other borrowings	**–**	500,000
Repayment of bank and other borrowings	**(1,933,574)**	(955,078)
Net cash outflow from financing activities	**(1,933,574)**	(455,078)
Net (decrease)/increase in cash and cash equivalents	**(411,910)**	358,589
Cash and cash equivalents at the beginning of the year	**734,698**	396,804
Effects of foreign exchange rate changes on cash and cash equivalents	**22,937**	(20,695)
Cash and cash equivalents at the end of the year	**345,725**	734,698

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

SOHO China Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of property leasing and related services, and real estate development in the People's Republic of China (the "PRC" or "China").

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

The Company has had its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 October 2007.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements were approved for issue by the board (the "Board") of directors (the "Director(s)") on 23 March 2023.

2 Summary of significant accounting policies

2(a) Basis of preparation

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

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and the disclosure 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 as disclosed in Notes 22(e)). 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.

As disclosed in Note 22 of the consolidated financial statements, 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.

2 Summary of significant accounting policies (continued)

2(a) Basis of preparation (continued)

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

The 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, as disclosed in Note 4 of the consolidated financial statements, 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 totalling RMB1,851,271,000 were outstanding. The late payment of LAT triggered 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, which would be charged between 50% and 5 times of the outstanding LAT, 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 are due upon demand if requested by the respective lenders.

2 Summary of significant accounting policies (continued)

2(a) Basis of preparation (continued)

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

The 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 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.

2 Summary of significant accounting policies (continued)

2(a) Basis of preparation (continued)

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

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.

2 Summary of significant accounting policies (continued)

2(a) Basis of preparation (continued)

(ii) Historical cost convention

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

- Investment properties (see Note 2(f)),
- Office premises (see Note 2(e)),
- Structured bank deposits measured at fair value through profit or loss (see Note 2(i)), and
- Investment in other financial assets (see Note 2(i)).

(iii) Amended standards adopted by the Group

The Group has applied the following amendments for the first time for their 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.

(iv) New and amended 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 Summary of significant accounting policies (continued)

2(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (continued)

2(c) Segment reporting

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

2(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the statement of financial position date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation involving loss of control, the cumulative amount of the exchange differences relating to that foreign operation attributable to the owners of the Company are reclassified to profit or loss.

2 Summary of significant accounting policies (continued)

2(e) Property and equipment

Office premises are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed every three years to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the statement of financial position date.

Changes arising on the revaluation of office premises are generally dealt with in other comprehensive income and are accumulated separately in equity in the other reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

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

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

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

- Office premises — 40 years
- Buildings and improvements — 10–40 years
- Office equipments — 5 years
- Motor vehicles — 8 years

2 Summary of significant accounting policies (continued)

2(e) Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2(f) Investment properties

Investment properties are buildings which are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies (continued)

2(f) Investment properties (continued)

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide sufficient evidence of a change in use. Examples of evidence of a change in use include:

(i) Inception of an operating lease to another party, for a transfer from completed properties held for sale to investment property;

(ii) Commencement of development with a view to sale, for a transfer from investment property to completed properties held for sale;

(iii) Commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property; and

(iv) End of owner-occupation, for a transfer from owner-occupied property to investment property.

When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the consolidated statement of financial position) and does not reclassify it as completed properties held for sale. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an owner-occupied property becomes an investment property that will be carried at fair value:

(i) Any resulting decrease in the carrying amount of the property is recognized in profit or loss. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognized in other comprehensive income and reduces the revaluation surplus within equity.

2 Summary of significant accounting policies (continued)

2(f) Investment properties (continued)

(ii) Any resulting increase in the carrying amount is treated as follows:

- To the extent that the increase reverses a previous impairment loss for that property, the increase is recognized in profit or loss. The amount recognized in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized.

- Any remaining part of the increase is recognized in other comprehensive income and increases the revaluation surplus within equity. On the transfer of owner-occupied property to investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

2(g) Intangible assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives, which do not exceed 10 years. Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

2(h) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies (continued)

2(i) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2 Summary of significant accounting policies (continued)

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

(iii) Measurement (continued)

Debt instruments

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses, impairment expenses are presented in other operating expenses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented in other operating expenses. As at 31 December 2022, no such debt instruments existed within the Group.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Summary of significant accounting policies (continued)

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

(iii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 Financial Instruments ("HKFRS 9"), which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1 for further details.

2(j) Completed properties held for sale

Completed properties held for sale in respect of property development activities are carried at the lower of cost and net realizable value.

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

2 Summary of significant accounting policies (continued)

2(k) Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. They are generally due for settlement within the normal operating cycle of the business and therefore all classified as current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.1 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2(l) Cash and cash equivalents

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

2(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are initially recognized at fair value. Except for financial guarantees liabilities measured in accordance with Note 2(s), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2(n) Borrowings

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

2 Summary of significant accounting policies (continued)

2(n) Borrowings (continued)

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2(O) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

2(p) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 Summary of significant accounting policies (continued)

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

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

2(q) Employee benefits

(i) Short-term obligations

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of other benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Summary of significant accounting policies (continued)

2(q) Employee benefits (continued)

(ii) Retirement benefits

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

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

2(r) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2 Summary of significant accounting policies (continued)

2(s) Financial guarantees contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9, and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment in the financial statements of the Company.

2(t) Revenue recognition

Revenue is measured in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transfer of properties or services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies.

(i) Sale of properties

Revenues are recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 Summary of significant accounting policies (continued)

2(t) Revenue recognition (continued)

(i) Sale of properties (continued)

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognized when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) Rendering of services

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

2(u) Dividend income

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

2(v) Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income, unless it is earned from financial assets that are held for cash management purposes, which is presented as finance income.

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

2(w) Leases

Determined rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable rental income is recognized as income in the accounting period in which they are earned.

2 Summary of significant accounting policies (continued)

2(x) Government grants

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

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

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2(y) Share capital

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

2(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the executive directors.

3.1 Financial risk factor

(a) Market risk

(i) Foreign exchange risk

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign exchange risk arising from recognized assets and liabilities which are not denominated in the relevant Group entity's functional currency. Depreciation or appreciation of RMB against HKD can affect the Group's results. Under the Linked Exchange Rate System in Hong Kong, HKD is pegged to USD, management considers that there is no significant foreign exchange risk with respect to USD. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

The amounts denominated in the currency other than the functional currency of the individual entities to which they relate were as follows:

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
– Cash and cash equivalents	**47,713**	286,921

As at 31 December 2022, if RMB had weakened/strengthened by 5% (2021: 5%) with all other variable held constant, pre-tax profit for the year of the Group would have been RMB2,386,000 higher/lower (2021: RMB14,346,000 higher/lower).

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings mainly including bank and other borrowings, which are disclosed in Note 22. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and bank deposits held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2022, if interest rates have increased/decreased by 100 basis points (2021: 100 basis points) with all other variables held constant, the Group's pre-tax profit would decrease/increase by approximately RMB104,175,000 (2021: decrease/increase by approximately RMB113,414,000).

	2022 RMB'000	% of total loans	2021 RMB'000	% of total loans
Variable rate borrowings	**10,434,191**	**64%**	11,341,444	63%
Fixed rate borrowings				
– repricing or maturity dates:				
Less than 1 year	**3,473,908**	**21%**	327,353	2%
1–3 years	**2,276,883**	**15%**	6,328,811	35%
	16,184,982	**100%**	17,997,608	100%

(b) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalent, restricted bank deposits, trade and other receivables and financial guarantees. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of cash and cash equivalent, restricted bank deposits, trade and other receivables and financial guarantees represent the Group's maximum exposure to credit risk in relation to its financial assets.

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not deliver properties to tenants before it receives the rental deposits and would not release the property ownership certificates to the buyers before the buyers finally settle the selling consideration.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

The Group has the following types of financial assets that are mainly subject to the expected credit loss model:

- trade receivables
- other receivables
- financial guarantees

The recoverability of trade and other receivables is assessed taking into account of the financial position of the counterparties, past experiences, current conditions and forecasts of future economic conditions. As at 31 December 2022, the management does not expect any significant losses after taking into consideration of expected credit loss.

While cash and cash equivalent and restricted bank deposits are also subject to the impairment requirements of HKFRS 9, the Group expects that there is no significant credit risk since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(i) Trade receivables

Trade receivables are lease receivables. For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

For trade receivables that do not share same risk characteristics with others, management assesses their expected credit losses on an individual basis. Remaining trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses. The expected credit loss also incorporates forward looking information.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

As at 31 December 2022	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying Amount RMB'000
Provision on individual basis	52.16%	117,347	(61,209)	56,138
Provision on collective basis	–	388,316	–	388,316
		505,663	(61,209)	444,454

As at 31 December 2021	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying Amount RMB'000
Provision on individual basis	86.73%	42,451	(36,816)	5,635
Provision on collective basis	–	211,275	–	211,275
		253,726	(36,816)	216,910

As at 31 December 2022 and 2021, the lease receivables collectively assessed expected credit loss impact was immaterial to the consolidated financial statements.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The loss allowances for trade receivables recognized during the year ended 31 December 2022 is as follows:

	2022 RMB'000
Opening loss allowance at 1 January	36,816
Increase in loss allowance during the year	24,393
Closing loss allowance at 31 December	61,209

Trade receivables are written off when there is no reasonable expectation of recovery. The Group made no written off for trade receivables during the year (2021: nil).

(ii) Other receivables

Other financial assets at amortized cost include other receivables. The loss allowance for other financial assets at amortized cost as at 31 December 2022 applies the general approach for expected credit loss prescribed by HKFRS 9.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage one	Receivables for which there is no significant increase in credit risk since initial recognition (including customers have a low risk of default and a strong capacity to meet contractual cash flows)	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is credit impaired	Lifetime expected losses

The loss allowances for other receivables recognized during the year ended 31 December 2022 is as follows:

	2022 RMB'000
Opening loss allowance at 1 January	90,054
Increase in loss allowance during the year	23,399
Reversal of previous impairment losses	(4,000)
Closing loss allowance at 31 December	109,453

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

Other receivables are written off when there is no reasonable expectation of recovery. The Group made no written off for other receivables during the year (2021: nil).

(iii) Financial guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. If a buyer defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the buyer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk associated with these financial guarantees are immaterial. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was RMB11,018,000 as at 31 December 2022 (2021: RMB39,059,000).

(c) Liquidity risk

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

As described in Note 2(a), 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 negotiate with certain financial institutions, including the existing major lenders, for options of restructuring of the Group's existing borrowings or new financing, 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, take measures to dispose of certain of its commercial properties, 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 take proactive measures to improve operating cash flow by controlling administrative costs and containing capital expenditure.

3 Financial risk management (continued)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows, except for bank and other borrowings as at 31 December 2022, which is based on events as described in Note 2(a).

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022					
Bank and other borrowings *(Note 22)*	**14,183,540**	**366,070**	**2,324,959**	**402,282**	**17,276,851**
Long-term deposits	**–**	**115,019**	**145,444**	**68,386**	**328,849**
Trade and other payables excluding non-financial liabilities	**2,607,370**	**–**	**–**	**–**	**2,607,370**
Guarantees	**11,018**	**–**	**–**	**–**	**11,018**
	16,801,928	**481,089**	**2,470,403**	**470,668**	**20,224,088**
At 31 December 2021					
Bank and other borrowings	2,487,022	1,898,840	7,354,801	11,196,396	22,937,059
Long-term deposits	–	31,228	310,050	115,155	456,433
Trade and other payables excluding non-financial liabilities	2,726,038	–	–	–	2,726,038
Guarantees	39,059	–	–	–	39,059
	5,252,119	1,930,068	7,664,851	11,311,551	26,158,589

3 Financial risk management (continued)

3.2 Capital management

Consistent with industry practice, the Group monitors its capital structure on the basis of the ratio of the total of bank and interest bearing borrowings to the total assets. The bank and interest bearing borrowings include bank and other borrowings of RMB16,184,982,000 (2021: RMB17,997,608,000) as disclosed in Note 22. As at 31 December 2022, the ratio was 23.51% (2021: 25.55%).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

3.3 Fair value estimation

(a) Fair value hierarchy

Other than investment properties, office premises included in property and equipment and financial assets at FVPL, the Group has no other assets that carried at fair value as at 31 December 2022 and 2021.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the statement of financial position date. Where other pricing models are used, inputs are based on market related data at the statement of financial position date.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2022 and 2021.

	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets					
At 31 December 2022					
Investment properties	*12*	**–**	**–**	**63,785,300**	**63,785,300**
Property and equipment					
– office premises	*13(a)*	**–**	**–**	**410,082**	**410,082**
Financial assets at FVPL					
– structured bank deposits	*20(b)*	**10,968**	**–**	**–**	**10,968**
– investment in other financial assets		**–**	**–**	**266,895**	**266,895**
Total assets		**10,968**	**–**	**64,462,277**	**64,473,245**
Assets					
At 31 December 2021					
Investment properties	*12*	–	–	63,656,000	63,656,000
Property and equipment					
– office premises	*13(a)*	–	–	428,494	428,494
Financial assets at FVPL					
– structured bank deposits	*20(b)*	1,027,520	350,150	–	1,377,670
– investment in other financial assets		–	–	164,240	164,240
Total assets		1,027,520	350,150	64,248,734	65,626,404

There were no transfers among Level 1, Level 2 and Level 3 during the year.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques during the year.

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

	Investment properties (i) RMB'000	Property and equipment – office premises (ii) RMB'000	Investment in other financial assets (iii) RMB'000	Total RMB'000
Opening balance at 1 January 2022	63,656,000	428,494	164,240	64,248,734
Additions	–	–	23,810	23,810
Disposals	(91,945)	(44,276)	–	(136,221)
Transferred to investment properties	–	(192,300)	–	(192,300)
Depreciation	–	(13,536)	–	(13,536)
Fair value changes recognized in profit or loss	22,409	–	–	22,409
Transferred from completed properties held for sale	10,279	–	–	10,279
Transferred from property and equipment	192,300	–	–	192,300
Gains on financial assets at fair value through profit or loss	–	–	60,549	60,549
Gains recognized in other comprehensive income	–	231,700	–	231,700
Currency translation differences	–	–	18,296	18,296
Others	(3,743)	–	–	(3,743)
Closing balance at 31 December 2022	63,785,300	410,082	266,895	64,462,277

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

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

(i) See Note 12(a) for more detailed disclosure of valuation process, valuation techniques and significant inputs of investment properties.

(ii) Office premises were valued using the same valuation process, valuation techniques and significant inputs as those used for valuation of investment properties.

(iii) The fair value of investment in other financial assets are based on the reported net asset value ("NAV") in their financial statements. Management has obtained the most recent audited financial statements that are available from investees and considered various factors when assessing whether the reported NAV represents the fair value of the investment. These factors include the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing the investment, the Group's ownership percentage over the investee and other relevant factors. Fair value will be adjusted when such factors suggest the reported NAV does not represent its fair value. In 2022, no reported NAV is adjusted. The Directors believed that the fair value resulting from the reported NAV, which is recorded in the consolidated statement of financial position, and the related change in fair value, which is recorded in consolidated income statement, are reasonable, and that it is the most appropriate value at the end of the reporting period.

(d) Group's valuation processes

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

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of investment properties

As described in Note 12(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuer after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential. Details of the valuation approaches for investment properties are set out in Note 12(a).

(b) LAT

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of property value, being the proceeds from sales of properties less deductible expenditures including land use rights, qualified borrowing costs, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of property appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

As disclosed in Note 2(a) of the consolidated financial statements, LAT payable of RMB1,733,334,000 relating to Wangjing SOHO Project has been finalized with local tax authority in August 2022. The difference from the estimated payable amount of RMB200,424,000 was accrued as income tax expense for the year ended 31 December 2022.

4 Critical accounting estimates and judgments (continued)

(c) PRC corporate income taxes and deferred taxation

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in the provision of property leasing and related services and real estate development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

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

During the year ended 31 December 2022, the recognition and write back of deferred tax assets were based on the estimates on the utilization of the future taxable profit for temporary differences or tax losses.

(d) Impairment of trade and other receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

5 Segment information

The management of the Group has determined the operating segments based on the information reviewed by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

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

The major operating entities of the Group are domiciled in the PRC, all of the Group's revenue were derived in the PRC during the year. As at 31 December 2022 and 2021, all of the Group's non-current assets, other than financial instruments and deferred income tax assets, were located in the PRC.

The Group is principally engaged in real estate development, the provision of property leasing and related services in the PRC. Revenue represents revenue from rental income and sale of property units and is analyzed as follows:

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

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

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

6 Expenses by nature

	Note	**2022 RMB'000**	2021 RMB'000
Property tax and other tax expenses		**245,979**	272,313
Employee benefits expenses	*7*	**199,979**	192,702
Utilities and property maintenance expenses		**166,718**	179,086
Late payment fees and penalty fees		**127,937**	438,687
Depreciation and amortization		**117,818**	59,708
Rental commission		**34,483**	60,650
Advertizing and marketing expenses		**24,464**	7,529
Costs of properties sold		**17,677**	–
Donations		**15,000**	10,010
Office expenses		**13,731**	17,722
Auditors' remuneration			
– Audit services		**2,000**	1,900
– Non-audit services		**1,350**	1,300
Other expenses		**117,367**	173,401
Total cost of sales, selling expenses, administrative expenses and other operating expenses		**1,084,503**	1,415,008

7 Employee benefit expenses

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	**192,186**	185,465
Contributions to defined contribution retirement plan	**7,793**	7,237
	199,979	192,702

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

7 Employee benefit expenses (continued)

During the year ended 31 December 2022, no forfeited contributions were utilized by the Group to reduce its contributions for the current year (2021: nil).

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

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three directors (2021: one director), two of which were employees of the Group before their appointments as directors during the year. Details of these two directors' emoluments are reflected in the analysis shown in Note 30. The emoluments payable to the four individuals including two employees who were appointed as directors during the year ended 31 December 2022 (2021: four individuals) are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and other emoluments	**8,681**	10,830
Retirement scheme contributions	**385**	358
	9,066	11,188

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands (in HKD)		
HKD1,000,001 – HKD2,000,000	**1**	–
HKD2,000,001 – HKD3,000,000	**2**	3
HKD3,000,001 – HKD4,000,000	**1**	1

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8 Other income and gains

	Note	2022 RMB'000	2021 RMB'000
Property management service income		**278,550**	271,044
Forfeited customer deposits		**123,198**	78,970
Gains on financial assets at FVPL		**79,494**	90,373
Hotel operations income		**63,504**	55,754
Government grants	*(a)*	**39,385**	4,214
Others		**9,712**	7,659
		593,843	508,014

(a) Government grants represent the reward received by the Group in accordance with the related local policies. There are no unfulfilled conditions or other contingencies attaching to these grants.

9 Finance income and finance expenses

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

(a) No borrowing cost was capitalized in 2022 (2021: nil).

10 Income tax expense

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

	2022 **RMB'000**	2021 RMB'000
Current income tax		
–PRC corporate income tax	**45,187**	28,454
–PRC LAT *(Note 4(b))*	**213,804**	–
Deferred income tax	**184,325**	360,290
	443,316	388,744

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Company and the Company's subsidiaries registered in the Cayman Islands and the BVI are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the corporate income tax rate applicable to the Company's subsidiaries in the PRC is 25% during 2022 (2021: 25%).

In accordance with the Provisional Regulations on Land Appreciation Tax of the PRC, LAT is levied at the properties developed and sold in the PRC by the Group. LAT is charged on the appreciated amount at progressive rates ranging from 30% to 60%.

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognized for the dividends that have been declared, and deferred tax liability is recognized for those to be declared in the foreseeable future.

10 Income tax expense (continued)

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

	2022 RMB'000	2021 RMB'000
Profit before income tax	**507,821**	264,792
Income tax calculated at the PRC tax rate of 25% (2021: 25%)	**126,955**	66,198
Difference in overseas tax rates	**28,163**	38,031
Adjustments on LAT	**160,353**	–
Tax effect of amounts which are not deductible in calculating taxable income:		
– Late payment fees and penalty fees	**31,984**	109,672
– Others	**6,703**	12,832
Tax on losses for which no deferred tax assets were recognized	**12,694**	85,375
Write-back on deferred tax assets	**71,669**	81,719
Adjustments in respect of prior years	**(3,649)**	(5,083)
Withholding tax	**8,444**	–
Income tax expense for the year	**443,316**	388,744

11 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) Profit/(loss) attributable to owners of the Company

	2022 RMB'000	2021 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)

11 Earnings/(loss) per share, basic and diluted (continued)

(ii) Weighted average number of ordinary shares

	2022 Share'000	2021 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) Earnings/(loss) per share

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

12 Investment properties

	Completed investment properties RMB'000
At fair value	
At 1 January 2021	63,367,000
Fair value changes recognized in profit or loss	289,000
At 31 December 2021	63,656,000
At 1 January 2022	**63,656,000**
Disposal of investment properties	**(91,945)**
Fair value changes recognized in profit or loss	**22,409**
Transferred from completed properties held for sale	**10,279**
Transferred from property and equipment	**192,300**
Others	**(3,743)**
At 31 December 2022	**63,785,300**

(a) Valuation basis

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

	Fair value measurements at 31 December using significant unobservable inputs (Level 3)	
Description	**2022 RMB'000**	2021 RMB'000
Investment properties:		
– Completed investment properties located in Beijing	**34,458,300**	34,267,000
– Completed investment properties located in Shanghai	**29,327,000**	29,389,000
	63,785,300	63,656,000

12 Investment properties (continued)

(a) Valuation basis (continued)

Valuation process of the Group

The Group's investment properties were valued at 31 December 2022 and 31 December 2021, by the independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), who holds recognized relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the CFO and the AC.

At the end of each financial reporting period the finance department:

- verifies all major inputs to the independent valuation report;
- analyzes property valuation movements and changes in fair values when compared to the prior period valuation report; and
- holds discussions with the independent valuer and reports to the CFO and AC.

Valuation techniques

For completed investment properties, the valuation of these was derived from income capitalization approach and direct comparison method.

There were no changes to the valuation techniques during the year.

12 Investment properties (continued)

(a) Valuation basis (continued)

Valuation techniques (continued)

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2022 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties located in Beijing	34,458,300	Income capitalization approach and direct comparison method	Capitalization rate	4.9%-8.4%	The higher the capitalization rate, the lower the fair value
			Market rents per square meter (RMB per square meter per day)	4.8-16.6	The higher the rental per square meter, the higher the fair value
			Estimated price (RMB per square meter)	41,000-133,600	The higher the price per square, the higher the fair value
Completed investment properties located in Shanghai	29,327,000	Income capitalization approach and direct comparison method	Capitalization rate	4.8%-6.1%	The higher the capitalization rate, the lower the fair value
			Market rents per square meter (RMB per square meter per day)	5.6-14.4	The higher the rental per square, the higher the fair value
			Estimated price (RMB per square meter)	47,900-100,500	The higher the price per square, the higher the fair value

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

(c) As at 31 December 2022, investment properties with fair value of RMB3,584,000,000 (2021: RMB3,584,000,000) were situated on parcels of land which had been acquired from a third party. As at the date of approval of the consolidated financial statements, the Group is in the process of applying for the building ownership certificates of these investment properties.

13 Property and equipment

	Office premises RMB'000	Buildings and improvements RMB'000	Office equipments RMB'000	Motor vehicles RMB'000	Total RMB'000
At 31 December 2020 & 1 January 2021					
Cost	531,460	1,186,811	145,919	10,170	1,874,360
Accumulated depreciation	(88,898)	(514,023)	(134,707)	(6,897)	(744,525)
Net book amount	442,562	672,788	11,212	3,273	1,129,835
Year ended 31 December 2021					
Opening net book amount	442,562	672,788	11,212	3,273	1,129,835
Additions	–	19,525	1,750	312	21,587
Disposals and obsolescence	–	–	(681)	–	(681)
Depreciation charge	(14,068)	(42,426)	(2,596)	(479)	(59,569)
Closing net book amount	428,494	649,887	9,685	3,106	1,091,172
At 31 December 2021 & 1 January 2022					
Cost	531,460	1,206,336	145,171	10,482	1,893,449
Accumulated depreciation	(102,966)	(556,449)	(135,486)	(7,376)	(802,277)
Net book amount	428,494	649,887	9,685	3,106	1,091,172
Year ended 31 December 2022					
Opening net book amount	428,494	649,887	9,685	3,106	1,091,172
Revaluation surplus	231,700	–	–	–	231,700
Additions	–	4,032	1,272	311	5,615
Disposals and obsolescence	(44,276)	(3)	(575)	(673)	(45,527)
Transferred to investment properties	(192,300)	–	–	–	(192,300)
Depreciation charge	(13,536)	(101,077)	(2,366)	(351)	(117,330)
Closing net book amount	410,082	552,839	8,016	2,393	973,330
At 31 December 2022					
Cost	410,082	1,145,681	143,321	9,129	1,708,213
Accumulated depreciation	–	(592,842)	(135,305)	(6,736)	(734,833)
Net book amount	410,082	552,839	8,016	2,393	973,330

13 Property and equipment (continued)

(a) Revaluation of office premises

The revaluation of office premises was made at 31 December 2022. See Note 12(a) for detailed disclosure of valuation process, valuation techniques and significant inputs as the Group values the fair value of office premises the same as investment properties.

(b) As at 31 December 2022 and 2021, no property and equipment was pledged as collateral for the Group's borrowings.

14 Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place of establishment/ incorporation and operation	Principal activities	Issued/ paid-in capital	Attributable equity interest	
				Direct	Indirect
Beijing Redstone Newtown Real Estate Co., Ltd.*	Beijing, the PRC	Development of the Commune by the Great Wall and Operation of serviced hotel	USD10,000,000	–	95%
Hainan Redstone Industry Co., Ltd.*	Hainan, the PRC	Development of Boao Canal Village	RMB20,000,000	–	98.10%
Beijing SOHO Real Estate Co., Ltd.*	Beijing, the PRC	Development of Sanlitun SOHO	USD99,000,000	–	95%
Beijing Millennium Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Beijing Residency	RMB96,000,000	–	100%
Beijing Yeli Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Guanghualu SOHO II	RMB1,100,000,000	–	100%
Beijing Kaiheng Real Estate Co., Ltd*	Beijing, the PRC	Development of Galaxy SOHO and Chaoyangmen SOHO	USD12,000,000	–	100%
Beijing Suo Tu Century Investment Management Co., Ltd.***	Beijing, the PRC	Development of Zhongguancun SOHO and Danling SOHO	RMB10,000,000	–	100%

14 Subsidiaries (continued)

Name of Company	Place of establishment/ incorporation and operation	Principal activities	Issued/ paid-in capital	Attributable equity interest	
				Direct	Indirect
Beijing Zhanpeng Century Investment Management Co., Ltd.***	Beijing, the PRC	Development of Qianmen Avenue project	RMB50,000,000	–	100%
Shanghai Haoze Investment Management Co., Ltd.***	Shanghai, the PRC	Development of Exchange SOHO	RMB10,000,000	–	100%
Sunny Prestige Limited	Hong Kong	Development of Exchange SOHO	HKD1	–	100%
Master Delicacy Limited	Hong Kong	Development of Exchange SOHO	HKD1	–	100%
Fortune Reality Limited	Hong Kong	Development of Exchange SOHO	HKD1	–	100%
Beijing Wangjing*	Beijing, the PRC	Development of Wangjing SOHO Project	USD99,000,000	–	100%
Beijing Bluewater Property Management Co., Ltd**	Beijing, the PRC	Development of SOHO Nexus Centre	USD120,000,000	–	100%
Beijing Fengshi Real Estate Development Co., Ltd***	Beijing, the PRC	Development of Leeza SOHO	RMB1,750,000,000	–	100%
Shanghai Ding Real Estate Development Co., Ltd.*	Shanghai, the PRC	Development of Bund SOHO	USD135,000,000	–	61.51%
Shanghai Hong Tu Investment Management Consulting Co., Ltd***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB5,000,000	–	100%
Shanghai Hong Suo Investment Management Consulting Co., Ltd.***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB5,000,000	–	100%
Shanghai Changyin Investment Management Consulting Co., Ltd.***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB100,000	–	100%

14 Subsidiaries (continued)

Name of Company	Place of establishment/ incorporation and operation	Principal activities	Issued/ paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect
Shanghai Changmai Investment Management Consulting Co., Ltd.***	Shanghai, the PRC	Development of SOHO Zhongshan Plaza	RMB100,000	–	100%
Shanghai Hong Sheng Real Estate Development Co., Ltd.***	Shanghai, the PRC	Development of SOHO Fuxing Plaza	RMB955,000,000	–	100%
Shanghai Greentown Plaza Development Co., Ltd.***	Shanghai, the PRC	Development of SOHO Tianshan Plaza and operation of serviced hotel	RMB1,550,000,000	–	100%
Shanghai Changkun Real Estate Development Co., Ltd.*	Shanghai, the PRC	Development of Gubei SOHO	RMB3,190,000,000	–	100%

* *The companies are registered as sino-foreign equity joint venture enterprises in the PRC.*

** *The company is registered as a wholly owned foreign enterprise in the PRC.*

*** *The companies are registered as limited liability companies in the PRC.*

The total amount of non-controlling interests is RMB927,902,000 (2021: RMB925,620,000) which is 2.48% (2021: 2.49%) to the total equity of the Group.

As at 31 December 2022, the Directors considered that none subsidiary that had non-controlling interests was material to the Group.

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

15 Financial instruments by category

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets as per consolidated statement of financial position		
At amortized cost		
Trade and other receivables	**736,098**	527,734
Restricted bank deposits	**69,616**	84,858
Cash and cash equivalents	**345,725**	734,698
Financial assets at FVPL		
Structured bank deposits	**10,968**	1,377,670
Investment in other financial assets	**266,895**	164,240
	1,429,302	2,889,200

		As at 31 December	
		2022	2021
	Note	**RMB'000**	RMB'000
Financial liabilities as per consolidated statement of financial position			
At amortized cost			
Bank and other borrowings		**16,184,982**	17,997,608
Trade and other payables excluding tax payables, payroll and welfare payables and late payment fees and penalty fees	*24*	**2,603,627**	2,726,038
Long-term deposits		**328,849**	456,433
		19,117,458	21,180,079

16 Deferred income tax

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**846,354**	820,637
– to be recovered within 12 months	**–**	20,082
	846,354	840,719
Deferred tax liabilities:		
– to be recovered after more than 12 months	**(9,834,677)**	(9,595,793)
Deferred tax liabilities, net	**(8,988,323)**	(8,755,074)

(b) The movement in deferred tax assets and liabilities during the years ended 31 December 2022 and 31 December 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax arising from	Notes	Tax losses	Unpaid accrued cost and expenses and impairment	Investment properties	Office revaluation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021		453,810	444,384	(9,195,984)	(96,994)	(8,394,784)
Charged to income statement	*10(a)*	(27,417)	(30,058)	(302,815)	–	(360,290)
At 31 December 2021		**426,393**	**414,326**	**(9,498,799)**	**(96,994)**	**(8,755,074)**
At 1 January 2022		**426,393**	**414,326**	**(9,498,799)**	**(96,994)**	**(8,755,074)**
(Charged)/credited to income statement	*10(a)*	**(40,827)**	**46,462**	**(189,960)**	**–**	**(184,325)**
Charged to other comprehensive income		**–**	**–**	**–**	**(48,924)**	**(48,924)**
At 31 December 2022		**385,566**	**460,788**	**(9,688,759)**	**(145,918)**	**(8,988,323)**

16 Deferred income tax (continued)

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred tax assets in certain subsidiaries of RMB304,766,750 (2021: RMB366,036,750) in respect of losses amounting to RMB1,219,067,000 (2021: RMB1,464,147,000) that can be carried forward against future taxable income. As at 31 December 2022, RMB474,923,000, RMB238,948,000, RMB112,920,000, RMB341,500,000 and RMB50,776,000 of these tax losses will expire in 2023, 2024, 2025, 2026 and 2027 respectively.

As at 31 December 2022, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to RMB38,232,526,000 (2021: RMB38,084,386,000). Deferred tax liabilities of RMB3,823,252,600 (2021: RMB3,808,438,600) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

17 Completed properties held for sale

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Completed properties held for sale	**1,708,284**	1,737,526

Completed properties held for sale mainly includes commercial properties which are all located in the PRC. No impairment provision was recognized during the years of 2022 and 2021.

18 Prepayments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepaid commission	**68,421**	112,786
Prepaid value added taxes and other taxes	**14,327**	28,375
Prepaid income tax	**13,339**	76,566
Others	**8,379**	13,610
	104,466	231,337

19 Trade and other receivables

		As at 31 December	
		2022	2021
	Notes	**RMB'000**	RMB'000
Non-current –			
Other receivables		**68,743**	72,100
Current –			
Trade receivables	*(a)*	**505,663**	253,726
Less: allowance for impairment of trade receivables	*(b)*	**(61,209)**	(36,816)
Trade receivables – net		**444,454**	216,910
Amounts due from related parties	*29(b)*	**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	*(b)*	**(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.

19 Trade and other receivables (continued)

(a) Aging analysis

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

	As at 31 December	
	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

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

(b) 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. See Note 3.1(b) for details about the Group's exposure to credit risk.

20 Restricted bank deposits and structured bank deposits

(a) Restricted bank deposits

		As at 31 December	
		2022	2021
	Note	**RMB'000**	RMB'000
Restricted bank deposits		**32,962**	46,844
Guarantees for mortgage loans	*(i)*	**36,654**	38,014
		69,616	84,858

20 Restricted bank deposits and structured bank deposits (continued)

(a) Restricted bank deposits (continued)

The above bank deposits are restricted as follows:

(i) The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. As at 31 December 2022, the Group had deposits of RMB36,654,000 (2021: RMB38,014,000) as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantees deposits will be released when the title of properties are pledged to banks or the related mortgage loans are repaid by buyers.

(b) Structured bank deposits

		As at 31 December	
	Note	**2022** **RMB'000**	2021 RMB'000
Structured bank deposits	*(i)*	**10,968**	1,377,670

(i) Structured bank deposits were measured at fair value and any changes were recognized in profit or loss. As at 31 December 2022, RMB10,968,000 included in the structured bank deposits held by the Group were readily convertible to cash and cash equivalents at every working day at the amount derived by the daily rates of return disclosed by the issuing bank.

21 Cash and cash equivalents

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Cash in hand	**225**	29
Cash at bank	**345,500**	734,669
	345,725	734,698

22 Bank and other borrowings

(a) 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

(b) The borrowings repayable as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year or on demand *(note c)*	**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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Denominated in:		
– RMB	**15,826,827**	17,409,414
– HKD	**358,155**	588,194
	16,184,982	17,997,608

22 Bank and other borrowings (continued)

(b) The borrowings repayable as follows: (continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Unsecured	**358,155**	588,194
Secured	**15,826,827**	17,409,414
	16,184,982	17,997,608

(c) Compliance with loan covenants

As mentioned in Note 2(a), 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.

22 Bank and other borrowings (continued)

(d) 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 to exercise the put option due by 1 March 2023.

(e) 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.

(f) The details of the secured bank and other borrowings are set out below:

(i) As at 31 December 2022, bank and other borrowings of the Group amounted RMB15,826,827,000 (2021: RMB17,409,414,000) were secured by the following items:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Investment properties	**54,024,088**	52,988,431

(ii) As at 31 December 2022, the Group's other borrowings were guaranteed by the Company and pledged by the shares of a subsidiary incorporated in the PRC.

(g) The effective interest rates per annum on bank and other borrowings at amortized cost are as follows:

	2022	2021
	%	%
Bank and other borrowings included in current liabilities	**4.06–5.63**	2.56–5.50
Bank and other borrowings included in non-current liabilities	**4.45–5.50**	2.56–5.50

23 Contract liabilities and receipts in advance

Contract liabilities and receipts in advance represented proceeds received on property unit sales and rental that have not been recognized as revenue in accordance with the Group's revenue recognition and lease policies.

24 Trade and other payables

		As at 31 December	
		2022	2021
	Notes	**RMB'000**	RMB'000
Trade payables	*(a)*	**959,837**	1,017,607
Amounts due to related parties	*29(b)*	**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.

(a) 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

25 Capital, reserves and dividends

(a) Dividends

The Board resolved not to declare a final dividend for the year ended 31 December 2022 (2021: nil).

25 Capital, reserves and dividends (continued)

(b) Share capital

	No. of ordinary shares Share'000	RMB'000
Authorized:		
At 1 January 2021 and 2022, 31 December 2021 and 2022, HKD0.02 per share	7,500,000	
Issued and fully paid:		
As at 1 January 2021 and 2022	5,199,524	106,112
As at 31 December 2021 and 2022	**5,199,524**	**106,112**

(c) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of the Company and foreign operations in accordance with the accounting policies set out in Note 2(d).

26 Statement of financial position and equity movement of the Company

(a) Statement of financial position of the Company

		As at 31 December	
	Note	**2022 RMB'000**	2021 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**330,787**	330,787
Total non-current assets		**330,787**	330,787
Current assets			
Amounts due from subsidiaries		**20,038,938**	18,621,359
Trade and other receivables		**–**	3,519
Cash and cash equivalents		**44,764**	225,975
Total current assets		**20,083,702**	18,850,853
Total assets		**20,414,489**	19,181,640
Equity and liabilities			
EQUITY			
Share capital	*26 (b)*	**106,112**	106,112
Reserves	*26 (b)*	**3,437,978**	3,811,555
Total equity		**3,544,090**	3,917,667

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Bank and other borrowings	**–**	588,194
Total non-current liabilities	**–**	588,194
Current liabilities		
Bank and other borrowings	**352,842**	–
Other payables	**41,028**	35,679
Amounts due to subsidiaries	**16,476,529**	14,640,100
Total current liabilities	**16,870,399**	14,675,779
Total liabilities	**16,870,399**	15,263,973
Total equity and liabilities	**20,414,489**	19,181,640

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2023 and were signed on its behalf.

Xu Jin
Name of Director

Qian Ting
Name of Director

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

(b) Share capital and reserve movement of the Company

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2022	106,112	(14,461)	(2,551,647)	55,257	6,322,406	3,917,667
Loss for the year	–	–	–	–	(690,221)	(690,221)
Other comprehensive income	–	–	316,644	–	–	316,644
Total comprehensive income	–	–	316,644	–	(690,221)	(373,577)
Balance at 31 December 2022	106,112	(14,461)	(2,235,003)	55,257	5,632,185	3,544,090

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2021	106,112	(14,461)	(2,447,904)	55,257	6,180,531	3,879,535
Profit for the year	–	–	–	–	141,875	141,875
Other comprehensive income	–	–	(103,743)	–	–	(103,743)
Total comprehensive income	–	–	(103,743)	–	141,875	38,132
Balance at 31 December 2021	106,112	(14,461)	(2,551,647)	55,257	6,322,406	3,917,667

27 Cash flow information

(a) Cash generated from operations

	Notes	**2022 RMB'000**	2021 RMB'000
Profit before income taxes		**507,821**	264,792
Adjustments for:			
Valuation gains on investment properties	*12*	**(22,409)**	(289,000)
Depreciation and amortization	*6*	**117,818**	59,708
Financial income	*9*	**(3,197)**	(55,726)
Interest expense	*9*	**801,783**	913,548
Net foreign exchange loss	*9*	**26**	429
Gains on other financial assets	*8*	**(79,494)**	(90,373)
Loss from disposal of property and equipment		**145**	369
Others		**40,210**	12,587
Changes in working capital:			
Decrease in prepayments		**63,643**	670
Increase in trade and other receivables		**(257,806)**	(36,119)
Decrease in completed properties held for sale		**18,963**	9,007
(Decrease)/increase in receipts in advance and contract liabilities		**(33,546)**	174,392
(Decrease)/increase in trade and other payables		**(420,183)**	487,680
Decrease/(increase) in restricted bank deposits		**15,242**	(15,504)
Cash generated from operations		**749,016**	1,436,460
Interest received		**2,871**	58,640
Interest paid		**(815,400)**	(908,412)
Income tax paid		**(71,679)**	(530,429)
Net cash (outflow)/inflow from operating activities		**(135,192)**	56,259

27 Cash flow information (continued)

(b) Net debt reconciliation

	Notes	**2022 RMB'000**	2021 RMB'000
Cash and cash equivalents	*21*	**345,725**	734,698
Borrowings – repayable within one year	*22(b)*	**(13,453,099)**	(1,663,789)
Borrowings – repayable after one year	*22(b)*	**(2,731,883)**	(16,333,819)
Net debt		**(15,839,257)**	(17,262,910)
Cash and cash equivalents	*21*	**345,725**	734,698
Gross debt – fixed interest rates	*3.1*	**(5,750,791)**	(6,656,164)
Gross debt – variable interest rates	*3.1*	**(10,434,191)**	(11,341,444)
Net debt		**(15,839,257)**	(17,262,910)

	Cash and cash equivalents RMB'000	**Liabilities from financing activities Borrowings** RMB'000	**Total** RMB'000
Net debt as at 1 January 2021	396,804	(18,469,767)	(18,072,963)
Cash flows	358,589	455,078	813,667
Foreign exchange adjustments	(20,695)	20,266	(429)
Other charges			
Interest expense accrued	–	(3,185)	(3,185)
Net debt as at 31 December 2021	734,698	(17,997,608)	(17,262,910)
Cash flows	(411,910)	1,933,574	1,521,664
Foreign exchange adjustments	22,937	(41,259)	(18,322)
Other charges			
Interest expense accrued	–	(79,689)	(79,689)
Net debt as at 31 December 2022	345,725	(16,184,982)	(15,839,257)

28 Commitments

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Commitments of investments	**16,921**	38,199

As at 31 December 2022, the commitments are denominated in USD2,429,629 (2021: USD5,991,273), equivalent amounting to RMB16,921,000 (2021: RMB38,199,000).

29 Material related party transactions

(a) Parent entities

The Company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			2022	2021
Boyce Limited	Immediate parent entity	BVI	**31.9654%**	31.9654%
Capevale Limited ("Capevale BVI")	Immediate parent entity	BVI	**31.9654%**	31.9654%
Capevale Limited ("Capevale Cayman")	Ultimate parent entity**	Cayman Islands	**63.9309%***	63.9309%*

* *Capevale Cayman holds 100% of the issued ordinary shares of Boyce Limited and Capevale BVI.*

** *Capevale Cayman is ultimately controlled by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita.*

29 Material related party transactions (continued)

(b) Transactions with other related parties

The balance of transactions with related parties is as follows:

		As at 31 December	
	Note	**2022 RMB'000**	2021 RMB'000
Amount due from related parties			
SOHO China Foundation	*(i)*	**24,740**	20,990
Amounts due to related parties			
INESA (Group) Co., Ltd. ("INESA")	*(ii)*	**406,366**	406,366
Shanghai Rural Commercial Bank	*(ii)*	**406,366**	406,366
		812,732	812,732

(i) In 2020, SOHO China Foundation, a charity organization set up by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita in 2005, founded a bilingual kindergarten in China's northwest region. The balances as at 31 December 2022 represented the payments on behalf of RMB24,740,000 (2021: RMB20,990,000) from two subsidiaries of the Company to SOHO China Foundation for the purpose of the construction work.

(ii) The balances as at 31 December 2022 mainly represented the advances of RMB812,732,000 (2021: RMB812,732,000) from INESA and Shanghai Rural Commercial Bank, the non-controlling equity holders of a subsidiary, Shanghai Ding Ding Real Estate Development Co., Ltd., which were interest-free, unsecured and had no fixed term of repayment.

The following transaction occurred with related party:

	2022 RMB'000	2021 RMB'000
Donation to SOHO China Foundation	**15,000**	–

During the year ended 31 December 2022, the above transaction didn't constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange.

29 Material related party transactions (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors as disclosed in Note 30 and certain of the highest paid employees as disclosed in Note 7(a) is as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	**14,016**	16,009
Post-employment benefits	**481**	448
	14,497	16,457

30 Benefits and interests of directors

(a) Directors' and chief executives' emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2022:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Other benefits RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Executive Directors							
Pan Shiyi *(note i)*	264	3,753	–	43	–	96	4,156
Pan Zhang Xin Marita *(note ii)*	264	–	–	–	–	–	264
Xu Jin *(Co-Chief Executive Officer) (note iii)*	83	895	–	15	6	32	1,031
Qian Ting *(Co-Chief Executive Officer) (note iii)*	83	629	–	15	6	32	765
Independent Non-executive Directors							
Huang Jingsheng *(Chairman) (note iv)*	375	–	–	–	–	–	375
Xiong Ming Hua	318	–	–	–	–	–	318
Sun Qiang Chang	318	–	–	–	–	–	318
Total	1,705	5,277	–	73	12	160	7,227

30 Benefits and interests of directors (continued)

(a) Directors' and chief executives' emoluments (continued)

For the year ended 31 December 2021:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Other benefits RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Executive Directors							
Pan Shiyi *(Chairman)*	264	3,360	–	40	237	90	3,991
Pan Zhang Xin Marita *(Chief Executive Officer)*	264	–	–	–	105	–	369
Independent Non-executive Directors							
Huang Jingsheng	303	–	–	–	–	–	303
Xiong Ming Hua	303	–	–	–	–	–	303
Sun Qiang Chang	303	–	–	–	–	–	303
Total	1,437	3,360	–	40	342	90	5,269

Notes:

(i) *Mr. Pan Shiyi has resigned as the Chairman of the Board with effect from 7 September 2022.*

(ii) *Ms. Pan Zhang Xin Marita has resigned as the Chief Executive Officer of the Company with effect from 7 September 2022.*

(iii) *Ms. Xu Jin and Mr. Qian Ting were appointed as directors with effect from 7 September 2022.*

(iv) *Mr. Huang Jingsheng has been appointed as non-executive Chairman of the Board with effect from 7 September 2022.*

30 Benefits and interests of directors (continued)

(b) Directors' retirement benefits

The retirement benefits paid to Mr. Pan Shiyi, Ms. Xu Jin and Mr. Qian Ting during the year ended 31 December 2022 by a retirement benefit scheme administrated and operated by the local municipal government in respect of their services as directors of the Company and its subsidiaries is RMB160,000 (2021: RMB90,000). No other retirement benefits were paid to Mr. Pan Shiyi, Ms. Xu Jin and Mr. Qian Ting in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2021: same).

(c) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the year (2021: nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services as a director of the Company (2021: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2021: nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: nil).

(g) Directors' emoluments

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	Total
2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
1,705	1,437	**5,522**	3,832	**7,227**	5,269

SOHO 中國 CHINA