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CHANGE OF AUDITOR

This announcement is made by Sino-Ocean Group Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of the Company announces that at the request of the Board, PricewaterhouseCoopers (“**PwC**”) has agreed to resign as the auditor of the Company for the year ending 31 December 2022 with effect from 9 November 2022. At the recommendation of the audit committee of the Company (the “**Audit Committee**”), the Board has resolved to appoint BDO Limited (“**BDO**”) as the new auditor of the Company to fill the casual vacancy following the resignation of PwC, whose appointment shall take effect from 11 November 2022 and will hold office until the conclusion of the next annual general meeting of the Company.

For the purpose of maintaining best corporate governance practice that service of the auditor shall not be more than seven years, the Board and the Audit Committee consider that the auditor of the Company should be rotated after an appropriate period of time, and that it would be in the best interest of the Company and its shareholders (the “**Shareholders**”) as a whole in changing the auditor of the Company.

PwC in its resignation letter dated 9 November 2022 to the Audit Committee and the Board sets out the matters leading to its resignation as the auditor of the Company. These matters also represent those that PwC considers should be brought to the attention of the Shareholders and creditors of the Company and are set out as follows:

During the course of PwC’s work in 2022, PwC has held ongoing discussions with the Company’s management and has requested the Company’s management to provide the following additional information relating to certain significant matters which might have an impact on the financial statements of the Group for the year ending 31 December 2022:

- (1) with regards to the possibility of potential defaults or cross-defaults of borrowings being triggered should the Group not comply with certain financial covenants or terms of the relevant bank loan agreements, the Group will need to communicate with the respective lending banks regarding the current situation and provide feedback to PwC on the results of these discussions. The Company should also provide a cash flow forecast covering a period of not less than 12 months from the financial reporting date, including the Group’s plans and measures to address any concerns relating to going concern, together with the key assumptions and the related supporting information. The cash flow forecast should incorporate proper consideration of the latest developments in the real estate industry and the aforementioned feedback from the lending banks for those related borrowings with potential defaults/cross-defaults;

- (2) the commercial rationale for why funds were paid to and received back from certain third parties with which the Group has signed investment cooperation agreements, together with an assessment and conclusion on whether these arrangements comply with the Group's relevant internal control policies and compliance requirements;
- (3) the commercial rationale for the Group making certain non-contractual fund advances to a joint venture, together with an assessment and conclusion of the expected credit loss on these related receivables and whether these arrangements comply with the Group's relevant internal control policies and compliance requirements; and
- (4) the commercial rationale for the Group's sole provision of funds to certain joint ventures which are not aligned with the Group's proportionate interests in these joint ventures, together with an assessment and conclusion on whether these arrangements might have implications for the scope of consolidation in preparing the consolidated financial statements.

Based on the above matters and considering the Board's request for PwC to resign as the auditor of the Company, PwC has agreed to resign as auditor of the Company for year ending 31 December 2022 with effect from 9 November 2022.

The Board and the Audit Committee confirm that there is no disagreement between PwC and the Company, and there are no other matters in respect of the resignation of PwC that need to be brought to the attention of the Shareholders and creditors of the Company.

The Board is fully aware of the above matters raised by PwC and takes the view that PwC had not completed the audit on such matters for the year ending 31 December 2022 when the Board requested its resignation.

As at the date of this announcement, the Group has already obtained consents from majority of the lending banks regarding amendments of relevant financial covenants and terms of bank loan agreements, and in this regard, no defaults or cross-defaults of borrowings of the Group are expected.

The Board is committed to follow up the above matters with due care and will provide all necessary information to BDO, the incoming auditor, for completing its audit work for the year ending 31 December 2022.

The Group considers its internal control system is adequate and has been implemented effectively, and the Group has been in compliant with applicable laws, rules, regulations and accounting standards. Should there be any material impact resulting from the above matters, the same will be fully reflected in the financial statements for the year ending 31 December 2022 and further announcement(s) will be made as and when appropriate in accordance with the requirements under the Listing Rules.

The Board would like to take this opportunity to express its gratitude to PwC for its professional services and quality services rendered to the Company in the last decade or so and welcome the appointment of BDO as the auditor of the Company.

By order of the Board
Sino-Ocean Group Holding Limited
SUM Pui Ying
Company Secretary

Hong Kong, 11 November 2022

As at the date of this announcement, the Board comprises Mr. LI Ming, Mr. WANG Honghui and Mr. CUI Hongjie as executive directors; Ms. HUANG Xiumei, Mr. ZHAO Peng, Mr. HOU Jun, Mr. CHEN Ziyang and Mr. ZHAN Zhong as non-executive directors; and Mr. HAN Xiaojing, Mr. SUEN Man Tak, Mr. WANG Zhifeng, Mr. JIN Qingjun and Ms. LAM Sin Lai Judy as independent non-executive directors.