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遠洋集團

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Total contracted sales amounted to a record high of RMB70,560 million, representing an increase of 40%.
- Revenue increased by 33% to RMB45,837 million, and gross profit margin increased to 25%.
- Operating profit (excluding fair value gains on investment properties) significantly increased by 50% to RMB11,290 million.
- Profit attributable to owners of the Company significantly increased by 34% to RMB5,115 million.
- Basic earnings per share significantly increased by 38% to RMB0.680.
- The Group's weighted average interest rate decreased to 5.19%, a decrease of 19 basis points as compared to 2016. Cash resources amounted to RMB24,766 million, maintaining financial soundness.
- Total assets amounted to approximately RMB191,894 million, and equity attributable to owners of the Company amounted to RMB48,502 million.
- The Board proposed a final dividend of HKD0.155 per share, representing an increase of 29%. Together with the interim dividend of HKD0.167 per share, total dividend declared for the year was HKD0.322 per share, representing an increase of 62%. Dividend payout ratio increased 6 percentage points to 40%.

The Board of Directors (the “Board”) of Sino-Ocean Group Holding Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively “our Group”, “the Group” or “We”) for the year ended 31 December 2017.

For the twelve months ended 31 December 2017, the Group recorded RMB45,837 million in revenue, an increase of 33% compared to the previous year. Profit attributable to owners of the Company and earnings per share reached RMB5,115 million and RMB0.680, rising 34% and 38% respectively.

Based on the profit attributable to owners of the Company in 2017, the Board is pleased to propose a final dividend of HK\$0.155 per share for the year ended 31 December 2017. Together with the interim dividend of HKD0.167, total dividend per share for 2017 was HKD0.322 (2016: HKD0.199), representing a dividend payout ratio of 40% (2016: 34%). The payment of the 2017 final dividend would be subject to shareholders’ approval at the Company’s annual general meeting (the “AGM”).

MARKET REVIEW AND PROSPECT

2017 market review

2017 was a transformational year for the real estate industry. On the one hand, the macro economy was looking up steadily with a GDP growth of 6.9%, leaving more rooms for systemic risks brought by economic changes and excessive upsurge of land and property prices. Central government was adamant that ‘properties are for accommodation, not for speculation’ and imposed unprecedented control measures on the industry, while local governments targeted city clusters. Tightening policies spread from the top two tiers to tier-three and tier-four cities, and expanded from the usual restrictions on purchase and loan to the more comprehensive ‘five restrictions’. On the other hand, the government was determined to achieve ‘three major balances’ through policy measures: through new land auction policies that take into consideration developer’s capital resource, sales of existing properties and restricted sales price; emphasis on implementation of long-term mechanisms, policies that encourage both renting and purchasing and property tax to curtail the characteristics of high turnover and high profit and to promote ‘industry balance’ of capital efficiency in various industries; through differentiating policies to ‘encourage growth but under control’ in different cities so that major cities are controlled and non-major cities are stabilized thus achieving ‘district balance’; through adjustments on both supply and demand such as increasing land supply and stepping up pre-sale management to promote ‘supply and demand balance’. The all-encompassing control policies brought temporary impact to the real estate industry but also encouraged its return to a healthy position.

Faced with unprecedented control measures, total GFA of commodity properties transacted in 2017 nationwide was 1.69 billion sq.m., a rise of about 7% YoY, of which commodity housing increased by 5% YoY; total transacted volume of commodity properties was RMB1,330 billion, a jump of more than 12% YoY. While the absolute value of both GFA and sales volume reached record high, there was serious differentiation between city tiers. Sales volume in tier-one and tier-two cities shrank, but transaction volume escalated significantly in tier-three and tier-four cities, especially those peripheral cities near the top tier cities that benefitted from de-stocking and people displaced by rebuilding of rundown areas receiving monetary housing compensation. From a district perspective, the three major city clusters of Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta, plus emerging city clusters such as the Yangtze Mid-stream and Chengdu-Chongqing became major market drivers. There was clear differentiation in the land market, bullish in the first half of the year but cooled off in the second half — land plots were sold often at higher prices than the original bids in tier-three and tier-four cities, but as a result of increased land supply, stronger management and tightening of finance in tier-one cities, the market slowed down and generally became more rational again by the end of the year. City clusters and popular cities that enjoy the benefits of population inflow and quality resources will have better prospects and will be the trend of the industry.

While the scale of the real estate industry reached record high so did competition, consolidation and concentration. Three property enterprises achieved sales above RMB500 billion in 2017. The top 10 companies had 24% of market share, 5% higher than 2016 while the top 20 took 33% of the market, 8% higher YoY. In view of fierce competition in the land market, tightened financing and strict controls on commodity housing, an increasing number of benchmarking enterprises opted for mergers and acquisitions of enterprises and projects, co-development and joint-acquisition of land. In addition, exploring the rental market, seeking new financing channels and modes of land development were strategic moves for the benchmarking enterprises to cope with policy control measures and a changing industry.

Market outlook in 2018

The Central Economic Work Conference clearly stated that in 2018 eight major tasks must be tackled to promote high quality development, and in the following three years serious risks must be prevented and resolved, poverty to be eliminated and pollution eradicated. It is therefore anticipated that in 2018 the Central Government will not relax control measures on the real estate market. The measures emphasize on 'housing is for accommodation not speculation' and rolling out long-term control mechanisms swiftly, moving from a single policy to more long-term multi-pronged tactics. Precise measures such as targeted policy for a particular city, diversified policies for different cities and multiple policies for one city will be the norm. Control measures in tier-one cities is unlikely to be relaxed. Some tier-two cities may launch talent introduction policy on top of existing control measures and de-stocking and reconstruction in tier-three and tier-four cities continue to pursue. Policies on the whole are more relaxed, except those peripheral cities of popular tier-three and tier-four where speculation has to be curbed, tightening policies are likely to stay.

With strict control measures as the backdrop, the real estate industry will continue to concentrate while those enterprises that have stronger integrated capabilities will capture better opportunities in 2018. The Central Economic Work Conference lists prevention of major financial risks at the top of the three battles to combat. Recently, the government has issued various regulatory policies in frequent intervals, imposing comprehensive monitoring on the asset management industry (banks, trusts, asset managers, insurance, private equity etc) by de-channeling, reducing scale, restricting leverage and auditing thoroughly. The real estate industry that has been over-dependent on shadow banks and trust financing is going to experience the harshest financing in history. However, as the shake-up of the financial sector in 2018 is to focus mainly on compliance and risk-prevention, property enterprises that are in a robust financial position with sufficient capital will find ample opportunities for mergers and acquisitions.

Looking into the future, on the one hand, revival of villages, urbanization of a large farming population and the second-child policy will create an influx of people to the tier-one and tier-two cities and thus demand for housing remains high and there is still room for property development. As industry concentration continues to intensify, the advantage of scale will become more apparent. On the other hand, as the government's emphasis is on 'reduce speed' and 'guard against risks', new and smaller properties that essentially 'operate on asset value' will be in huge demand quickly. Helped by the policies that encourage both renting and purchasing, rental business witnessed a minor boom in 2017. Benchmarking enterprises cultivated the rental market with products, services, financing, platform and construction. They supported the policy by stepping up supply source, regulating market behavior, protecting rights and finance. Rental market is expected to continue to grow quickly in 2018. In addition, an ageing population (over 240 million people in China are over 60 in 2017) and increased spending create space for new property-related businesses such as senior living, new retail, logistics real estate and intelligent properties. Benchmarking enterprises are going to actively make headway in various business areas, capitalising the policies, seizing opportunities in the market and enhancing overall competitiveness.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2017 increased by 33% to RMB45,837 million, from RMB34,551 million in 2016. Property development segment remained the largest contributor which accounted for about 91% of total revenue.

(RMB million)	2017	2016	Change (%)
Property development	41,578	30,809	35%
Property investment	977	886	10%
Property management	930	899	3%
Other real estate related businesses	2,352	1,957	20%
Total	45,837	34,551	33%

Beijing as our home base accounted for approximately 29% (2016: 46%) of the Group's total revenue in 2017, amounting to RMB13,206 million (2016: RMB15,837 million). As we have developed a diversified portfolio of landbank, contributions from the other tier-one and tier-two cities remained stable. In 2017, contributions of revenue from cities including Dalian, Tianjin, Hangzhou, Wuhan and Shenzhen amounted to RMB22,031 million, accounting for approximately 48% of the total revenue (2016: 30%).

Cost of sales

The cost of property development, mainly comprising of land cost and construction cost, accounted for approximately 92% of the Group's total cost of sales in 2017 (2016: 90%). Excluding car parks, average land cost per sq.m. of property development business in 2017 increased to approximately RMB6,500 compared to RMB3,400 in 2016, which was due to more properties delivered from recently acquired projects at relatively higher cost during market upward cycle. Average construction cost per sq.m. (excluding car parks) for property development business decreased to approximately RMB5,400 for the year, compared to RMB5,900 in 2016.

Gross profit

Gross profit for the year was RMB11,239 million, representing an increase of 47% compared to 2016. Gross profit margin increased to 25% (2016: 22%).

Interest and other income and gains, net

Interest and other income decreased by 26% to RMB1,116 million in 2017, compared to RMB1,508 million in 2016. Such decrease was mainly due to the decrease in the overall interest income during the year.

The Group recorded other gains (net) of RMB975 million (2016: Losses of RMB86 million). Other gain (net) were mainly comprised of exchange gains and deemed disposal gains recognised during the year.

Revaluation of investment properties

The Group recognized an increase in fair value on its investment properties (before tax and non-controlling interests) of RMB440 million for 2017 (2016: RMB1,763 million).

Operating expenses

Selling and marketing expenses for 2017 raised to RMB800 million (2016: RMB519 million). These costs accounted for only approximately 1.1% of the total contracted sales amount for 2017 (2016: 1.0%).

Administrative expenses incurred for 2017 increased to RMB1,240 million (2016: RMB988 million), representing 2.7% of the total revenue for 2017 (2016: 2.9%). We will continue to adopt strict cost control measures to maintain these costs at a relatively stable and lower level.

Finance costs

Majority of our funding was efficiently applied to our projects. As a result, we were able to capitalize most of the interest expenses, leaving RMB1,174 million to be charged through consolidated income statement during the current year, compared to RMB818 million in 2016. Due to our cost control in borrowing costs, our weighted average interest rate decreased significantly to 5.19% in 2017 (2016: 5.38%), while total interest expenses paid or accrued amounted to RMB3,187 million (2016: RMB2,841 million).

Taxation

The aggregate of enterprise income tax and deferred tax increased by 35% to RMB3,068 million in 2017 (2016: RMB2,275 million), reflecting an effective tax rate of 33% (2016: 34%). The decrease in effective tax rate was due to less tax non-deductible expenses during the year. In addition, land appreciation tax in 2017 increased to RMB2,095 million (2016: RMB1,787 million) due to more deliveries of high gross profit margin projects during the year, such as Ocean LA VIE in Beijing and Ocean Express in Shenzhen.

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased significantly by 34% to RMB5,115 million in 2017, compared to RMB3,812 million in 2016. Excluding one-off items and fair value gains on investment properties, core profit amounted to RMB4,022 million, an increase of 51% compared to RMB2,666 million in 2016 due to the increase in recognised sales. Core profit margin increased by 1 percentage point compare with 2016. Return on average equity stated at approximately 11% in 2017 (2016: 9%). Our management will continue to focus on the improvement of our shareholders' return as their on-going task.

Financial resources and liquidity

As at 31 December 2017, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB24,766 million, with a current ratio of 1.8 times. Together with unutilized credit facilities of about RMB147,141 million, the Group is financially sound.

The Group's net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) significantly increased by 18 percentage points to approximately 62% (2016: approximately 44%).

The maturities of the Group's total borrowings are set out as follows:

(RMB million)	As at 31 December 2017	As at 31 December 2016	Change (%)
Within 1 year	9,999	6,195	61%
1 to 2 years	13,817	4,005	245%
2 to 5 years	23,641	19,065	24%
Over 5 years	13,575	14,545	-7%
Total	61,032	43,810	39%

BUSINESS REVIEW

Property development

Recognized sales

Revenue from property development business increased by 35% in 2017, amounting to RMB41,578 million (2016: RMB30,809 million). Saleable GFA delivered increased by 13% from approximately 2,325,000 sq.m. in 2016 to approximately 2,618,000 sq.m. in 2017. Excluding car parks sales, the average selling price recognized in 2017 was about RMB15,900 per sq.m. (2016: RMB14,300 per sq.m.).

Revenue and saleable GFA delivered from each project during 2017 are set out as follows:

Region	Cities	Projects	Revenue (RMB million)	Saleable GFA Delivered (sq.m.)	Average selling price recognized (RMB/sq.m.)	Interest attributable to the Group (%)
Beijing-Tianjin-Hebei Region	Beijing	Ocean Crown	640	9,700	66,000	100.00%
		Ocean Epoch	2,486	34,900	71,200	100.00%
		Ocean LA VIE	1,408	18,500	76,100	85.72%
		Ocean Manor	772	36,600	21,100	100.00%
		Ocean Melody	53	1,400	37,900	100.00%
		Ocean Metropolis	2,830	86,500	32,700	75.00%
		Ocean Palace	671	13,200	50,800	100.00%
	Tianjin	Our New World	849	36,000	23,600	100.00%
		Ocean Chanson	880	88,400	10,000	100.00%
		Ocean City	1,106	129,200	8,600	100.00%
		Ocean Express	23	3,600	6,400	100.00%
		Ocean International Center	769	48,800	15,800	100.00%
		Ocean Inside	1,567	121,800	12,900	60.00%
		Royal River	996	92,200	10,800	100.00%
			15,050	720,800	20,900	
Northeast Region	Dalian	Ocean Diamond Bay	1,348	127,000	10,600	100.00%
		Ocean Worldview	288	18,300	15,700	100.00%
		The Place of Glory	2,325	210,200	11,100	100.00%
	Shenyang	Ocean Paradise	40	5,000	8,000	100.00%
		Ocean Residence	17	2,300	7,400	100.00%
	Changchun	Ocean Cannes Town	709	90,800	7,800	100.00%
			4,727	453,600	10,400	

Region	Cities	Projects	Revenue (RMB million)	Saleable GFA Delivered (sq.m.)	Average selling price recognized (RMB/sq.m.)	Interest attributable to the Group (%)
Central Region	Shanghai	Ocean Fortune Center	53	1,900	27,900	100.00%
		Ocean Mansion No. 7	103	10,500	9,800	100.00%
		Ocean Melody	1,898	72,200	26,300	100.00%
	Hangzhou	Canal Business Center Project	2,986	139,000	21,500	100.00%
		Ocean Chanson	1,019	72,200	14,100	51.00%
		Ocean In Your Heart	3	300	10,000	100.00%
		Ocean Melody	883	37,900	23,300	100.00%
		Ocean International Center	586	17,800	32,900	100.00%
	Nanjing	Ocean Melody	781	86,500	9,000	100.00%
	Qingdao	Hejiadun Project	3,194	245,700	13,000	61.00%
	Wuhan	Ocean World	470	83,100	5,700	100.00%
			11,976	767,100	15,600	
Southern Region	Shenzhen	Ocean Express	3,512	107,700	32,600	84.70%
		Elite Palace	2,527	76,000	33,300	100.00%
	Guangzhou	Ocean Aroma	25	2,900	8,600	51.00%
		Ocean Bloom	22	2,800	7,900	51.00%
		Ocean City	18	1,000	18,000	100.00%
		Ocean Emerald	866	130,400	6,600	51.00%
		Ocean Magic City	24	1,700	14,100	51.00%
		The Place	72	3,200	22,500	50.00%
	Haikou	Ocean Zen House	707	58,000	12,200	100.00%
	Sanya	Ocean Treasure	1,226	36,400	33,700	98.27%
			8,999	420,100	21,400	
		Other Projects	8	1,200	6,700	
Subtotal			40,760	2,362,800	17,300	
Car parks (Various Projects)			818	255,300	3,200	
Total			41,578	2,618,100	15,900	

Contracted sales

Our contracted sales (including our joint ventures and associates) in 2017 amounted to a record high of RMB70,560 million, representing approximately 40% increase compared to RMB50,380 million in 2016. The average selling price (excluding car parks) increased by 13% to RMB20,200 per sq.m. (2016: RMB17,900 per sq.m.). The average selling price (including car parks) increased by 9% to RMB19,000 per sq.m. (2016: RMB17,400 per sq.m.).

The contracted sales amounts and saleable GFA sold by projects in 2017 are set out below:

Region	Cities	Projects	Contracted sales amount (RMB million)	Saleable GFA Sold (sq.m.)	Average selling price (RMB/sq.m.)	Interest attributable to the Group (%)
Beijing-Tianjin-Hebei Region	Beijing	26 Block	370	7,400	50,000	23.00%
		Eternal Scenery	796	28,800	27,600	50.00%
		Mentougou Tanzhe Temple Project	320	10,700	29,900	10.00%
		Ocean Epoch	4,236	46,000	92,100	100.00%
		Ocean LA VIE	1,894	17,800	106,400	85.72%
		Ocean Melody	16	500	32,000	100.00%
		Ocean Metropolis	313	6,800	46,000	75.00%
		Ocean Palace	431	9,800	44,000	100.00%
		Our New World	986	27,200	36,300	100.00%
		Sino-Ocean Shin Kong Project	80	8,000	10,000	50.00%
		Xiji Plot C, Tongzhou District	1,408	141,600	9,900	30.00%
	Tianjin	Haihe Jiaoyuyuan Plot 13	2,311	81,200	28,500	33.00%
		Haihe Jiaoyuyuan Plot 14	749	35,100	21,300	25.00%
		Ocean Chanson	103	4,200	24,500	100.00%
		Ocean City	921	63,000	14,600	100.00%
		Ocean Express	58	8,500	6,800	100.00%
		Ocean Inside	106	5,100	20,800	60.00%
		Ocean International Center	217	12,400	17,500	100.00%
		Ocean Kunting	1,669	73,300	22,800	34.28%
		Royal River	1,874	145,100	12,900	100.00%
		The Great Habitat Mansion House	956	67,500	14,200	60.00%
		Yixingbu Project, Beichen District	129	12,100	10,700	51.00%
	Shijiazhuang	Sino-Ocean No. 7	611	50,100	12,200	20.00%
	Langfang	Xiang He Wan Run Project	637	39,800	16,000	20.00%
			21,191	902,000	23,500	

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Region	Cities	Projects	Contracted sales amount (RMB million)	Saleable GFA Sold (sq.m.)	Average selling price (RMB/sq.m.)	Interest attributable to the Group (%)
Northeast Region	Dalian	Jinma Project	152	14,200	10,700	10.00%
		Ocean Diamond Bay	828	63,600	13,000	100.00%
		Ocean Worldview	786	51,100	15,400	100.00%
		The Place of Glory	2,332	183,400	12,700	100.00%
	Shenyang	Grand Canal Milestone	2,282	139,300	16,400	100.00%
		Ocean Paradise	20	2,800	7,100	100.00%
	Changchun	Ocean Cannes Town	2,311	234,400	9,900	100.00%
		Orient Palace	381	35,600	10,700	20.00%
			9,092	724,400	12,600	
Central Region	Shanghai	Chongming Dongtan Project	1,493	46,900	31,800	13.54%
		Ocean Fortune Center	295	9,300	31,700	100.00%
		Ocean Mansion No. 7	21	1,000	21,000	100.00%
		Ocean Melody	2,682	88,900	30,200	100.00%
	Hangzhou	Canal Business Center Project	2,412	99,800	24,200	100.00%
		Natural Masterpiece	3,048	104,100	29,300	50.00%
		Ocean Chanson	59	5,600	10,500	51.00%
		Ocean In Your Heart	3	300	10,000	100.00%
		Ocean Melody	25	2,600	9,600	100.00%
		Seasons Countyard	1,854	57,400	32,300	50.00%
		Sino-Ocean Native Place	488	27,600	17,700	100.00%
	Nanjing	Ocean International Center	493	12,700	38,800	100.00%
		Ocean Landscape	516	28,300	18,200	70.00%
	Qingdao	Ocean Melody	126	8,900	14,200	100.00%
	Wuhan	Hejiadun Project	2,438	141,500	17,200	61.00%
		Ocean World	419	54,400	7,700	100.00%
	Hefei	Metropolitan 1907	1,418	81,700	17,400	25.00%
	Changsha	Bund No. 1	494	29,600	16,700	28.45%
	Nanchang	Sino-Ocean Elite Mansion	232	26,500	8,800	20.00%
			18,516	827,100	22,400	

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Southern Region	Shenzhen	Ocean Express	4,102	102,500	40,000	84.70%
		Ocean Metropolis	2,199	56,500	38,900	85.00%
	Guangzhou	Elite Palace	2,798	52,200	53,600	100.00%
		Hibiscus Villa	434	14,800	29,300	51.00%
		Honoka Project in Baiyun District	1,421	34,500	41,200	16.66%
	Zhongshan	Blossoms Valley	51	6,200	8,200	75.00%
		King Realm	523	52,800	9,900	25.00%
		Ocean Aroma	41	11,300	3,600	51.00%
		Ocean Bloom	82	9,500	8,600	51.00%
		Ocean City	18	2,400	7,500	100.00%
		Ocean Emerald	1,363	135,200	10,100	51.00%
		Ocean Longshire	204	23,100	8,800	80.00%
		Ocean Magic City	2	100	20,000	51.00%
		Ocean Prospect	984	67,700	14,500	15.00%
		Sino-Ocean Aristocratic Family	346	18,300	18,900	12.25%
		The Place	19	800	23,800	50.00%
		Wuguishan Longtangcun Project	47	1,700	27,600	50.00%
		Haikou	Ocean Zen House	451	33,400	13,500
	Sanya	Ocean Treasure	321	5,300	60,600	98.27%
	Chongqing	Gaomiao Plot, Jiulongpo District	1,074	46,400	23,100	37.71%
		Jiuquhe Plot 2 of Yubei District	1,402	79,800	17,600	37.71%
		Sino-Ocean International Golf Resort	340	22,600	15,000	42.25%
			18,222	777,100	23,400	
	Sub-total		67,021	3,230,600	20,700	
	Other projects		1,743	168,200	10,400	
Subtotal (excluding car parks)		68,764	3,398,800	20,200		
Car parks (various projects)		1,796	312,200	5,800		
Total		70,560	3,711,000	19,000		

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Landbank and Construction in Progress

Total GFA and total saleable GFA completed in 2017 were approximately 3,087,800 sq.m. and 2,695,700 sq.m., maintaining at the similar level and increasing 7% respectively as compared to that in 2016.

The Group's landbank increased by 57% to approximately 34,088,000 sq.m. in 2017 (2016: 21,699,000 sq.m.); while landbank with attributable interest increased by 35% to 18,490,000 sq.m. (2016: 13,746,000 sq.m.). In 2017, we acquired 59 plots of land and 7 matured projects. Total GFA and attributable interest GFA of the newly acquired land plots were 16,129,000 sq.m. and 6,835,000 sq.m. respectively, with average acquisition cost per sq.m. of RMB7,100. In terms of salesable GFA, the average land cost per sq.m. for our landbank as at 31 December 2017 was approximately RMB6,500 (2016: RMB6,000).

The Group's landbank details as at 31 December 2017 are set out as follows:

Region	Cities	Projects	Approximate total GFA (‘000 sq.m.)	Approximate total salesable GFA (‘000 sq.m.)	Remaining Landbank (‘000 sq.m.)	Interest attributable to the Group (%)
Beijing- Tianjin-Hebei Region	Beijing	26 Block	79	79	79	23.00%
		CBD Plot Z6	241	185	241	100.00%
		CBD Plot Z13	162	126	162	10.00%
		Changping Sci-tech Park F2 Project	256	193	251	50.00%
		Eternal Scenery	482	341	482	50.00%
		Grand Harmony Emerald Residence	224	165	224	40.00%
		Jasper Epoch	92	78	92	49.00%
		Huangcun 0901 Plot, Daxing District	118	99	118	25.00%
		Jialihua Project, Shunyi District	277	206	277	100.00%
		Liangxiang Project	126	102	126	11.10%
		Lize Business District Project	441	331	441	17.25%
		Mentougou Tanzhe Temple Project	430	344	430	10.00%
		Mizhiyun Project	80	71	40	90.00%
		Ocean Epoch	264	198	218	100.00%
		Ocean LA VIE	318	305	97	85.72%
		Ocean Melody	55	50	8	100.00%
		Ocean Metropolis	330	276	226	75.00%
		Ocean Palace	436	383	95	100.00%
		Our New World	109	91	66	100.00%

Region	Cities	Projects	Approximate total GFA (’000 sq.m.)	Approximate total salesable GFA (’000 sq.m.)	Remaining Landbank (’000 sq.m.)	Interest attributable to the Group (%)
		Plot 6002, Mentougou, New Town	125	97	125	21.00%
		Sino-Ocean Shin Kong Project	479	334	479	50.00%
		Wulituo Plot, Shijingshan District	595	458	595	21.00%
		Xiji Plot C, Tongzhou District	221	170	109	30.00%
		Xiji D Project, Tongzhou District	128	113	128	10.00%
		Yizhuang EDA Plot G2R1	300	207	300	50.00%
		Yizhuang Motor Tower Project	67	40	67	100.00%
			6,435	5,042	5,476	
	Tianjin	Autoworld	504	317	504	50.00%
		Binhai Hongze Zhizao Project	35	25	35	100.00%
		Binhai New Area Eco-Town Plot 5	185	135	185	30.00%
		Haihe Jiaoyuyuan Plot 13	227	171	227	33.00%
		Haihe Jiaoyuyuan Plot 14	285	194	285	25.00%
		Ocean Chanson	204	199	51	100.00%
		Ocean City	2,137	1,683	493	100.00%
		Ocean Express	335	288	6	100.00%
		Ocean Great Harmony	350	290	50	100.00%
		Ocean Inside	183	176	56	60.00%
		Ocean International Center	321	200	100	100.00%
		Ocean Kunting	675	488	675	34.28%
		Ocean Prospect	321	309	53	100.00%
		Royal River	349	333	161	100.00%
		The Great Habitat Mansion House	562	385	448	60.00%
		Yixingbu Project, Beichen District	3,034	2,615	3,002	51.00%
			9,707	7,808	6,331	
	Shijiazhuang	Chang’an District Plot 015	228	171	228	51.00%
		Chang’an District Redevelopment Project	363	268	363	30.00%
		Sino-Ocean No. 7	115	103	115	20.00%
			706	542	706	

Sino-Ocean Group Holding Limited

(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

Stock Code : 03377

Region	Cities	Projects	Approximate total GFA (‘000 sq.m.)	Approximate total salesable GFA (‘000 sq.m.)	Remaining Landbank (‘000 sq.m.)	Interest attributable to the Group (%)
	Zhangjiakou	Centrality Mansion	203	163	203	60.00%
	Langfang	Nianziying Project	1,897	954	1,897	51.00%
		Xiang He Wan Run Project	269	180	269	20.00%
			2,166	1,134	2,166	
			19,217	14,689	14,882	
Northeast Region	Dalian	Jinma Project	77	43	77	10.00%
		Ocean Diamond Bay	2,047	1,746	1,208	100.00%
		Ocean Worldview	1,902	1,645	425	100.00%
		Sino-Ocean Technopole	922	540	922	100.00%
		The Place of Glory	925	875	493	100.00%
		Xiaoyao Bay Project	219	175	219	100.00%
		Zhonghua Road Plot #2	111	52	111	100.00%
			6,203	5,076	3,455	
	Shenyang	Grand Canal Milestone	382	257	382	100.00%
		Ocean Paradise	713	695	10	100.00%
		Yuqin Biyuan Project	212	169	212	50.00%
			1,307	1,121	604	
	Changchun	Ocean Cannes Town	830	661	5	100.00%
		Orient Palace	73	60	73	20.00%
			903	721	78	
			8,413	6,918	4,137	

Region	Cities	Projects	Approximate total GFA (‘000 sq.m.)	Approximate total salesable GFA (‘000 sq.m.)	Remaining Landbank (‘000 sq.m.)	Interest attributable to the Group (%)
Central Region	Shanghai	Chongming Dongtan Project	1,072	672	1,010	13.54%
		Ocean Fortune Center	59	45	42	100.00%
		Ocean Mansion No. 7	117	110	4	100.00%
		Ocean Melody	323	278	141	100.00%
		Wellness Masterpiece	49	41	49	50.00%
			1,620	1,146	1,246	
	Hangzhou	Canal Business Center Project	609	292	172	100.00%
		Chongxian B-6 Plot, Yuhang District	111	65	111	49.00%
		Chongxian C-7 Plot, Yuhang District	107	73	107	51.00%
		Hangyang Project	109	60	109	20.00%
		Natural Masterpiece	145	99	145	50.00%
		Ocean In Your Heart	171	109	3	100.00%
		Ocean Melody	58	39	1	100.00%
		Seasons Countyard	129	89	129	50.00%
		Sion-Ocean Native Place	68	41	68	100.00%
			1,507	867	845	
	Nanjing	Ocean Landscape	147	121	147	70.00%
		Sino-Ocean Land Greenland Premier Court	71	67	30	50.00%
			218	188	177	
	Huangshan	An Island Paradise	155	154	89	100.00%
	Qingdao	Ocean Melody	109	107	15	100.00%
		Ocean Seasons	146	131	17	100.00%
		Xingzhengyuan Project, Jiaozhou	333	269	333	15.00%
			588	507	365	
	Wuhan	Hejiadun Project	1,019	972	761	61.00%
		Ocean World	398	369	180	100.00%
		Oriental World View	1,880	1,510	1,880	10.50%
			3,297	2,851	2,821	

Region	Cities	Projects	Approximate total GFA (’000 sq.m.)	Approximate total salesable GFA (’000 sq.m.)	Remaining Landbank (’000 sq.m.)	Interest attributable to the Group (%)
	Suzhou	Fenhu Plot 006	113	79	113	34.00%
		Ocean Melody	105	77	105	34.00%
		Shihu Project	49	–	49	68.75%
			267	156	267	
	Hefei	Metropolitan 1907	322	242	322	25.00%
	Changsha	Bund No.1	134	95	134	28.45%
		Yajun Project	422	332	422	10.00%
			556	427	556	
	Nanchang	Sino-Ocean Elite Mansion	106	102	106	20.00%
		Wanli 178 Project	173	122	173	51.00%
			279	224	279	
	Jiaxing	Jiaxing Project	96	–	96	95.00%
	Taiyuan	Shengjian Project, Xiaodian District	45	40	45	100.00%
	Wuxi	Haoshi Project	63	52	63	40.00%
		Yuqin Project	116	93	116	40.00%
			179	145	179	
	Zhengzhou	107 Road Project, Longhu Town	169	158	169	60.00%
			9,298	7,105	7,456	

Region	Cities	Projects	Approximate total GFA (‘000 sq.m.)	Approximate total salesable GFA (‘000 sq.m.)	Remaining Landbank (‘000 sq.m.)	Interest attributable to the Group (%)
Southern Region	Shenzhen	Lishan Project	171	120	67	60.00%
		Long Chuan Tang Project	115	51	115	60.00%
		Longhua District Deai Industrial Park	533	282	533	80.00%
		Ocean Express	556	437	217	84.70%
		Ocean Metropolis	390	292	377	85.00%
			1,765	1,182	1,309	
	Guangzhou	Elite Palace	310	279	226	100.00%
		Hibiscus Villa	179	87	179	51.00%
		Honoka project in Baiyun District	285	198	285	16.66%
			774	564	690	
	Zhongshan	Blossoms Valley	1,172	1,037	1,172	75.00%
		King Realm	181	134	181	25.00%
		Ocean Aroma	141	125	12	51.00%
		Ocean Bloom	200	189	24	51.00%
		Ocean City	2,086	1,736	105	100.00%
		Ocean Emerald	437	412	163	51.00%
		Ocean Longshire	96	85	96	80.00%
		Ocean Magic City	170	160	51	51.00%
		Ocean Prospect	91	66	91	15.00%
		Sino-Ocean Aristocratic Family	103	78	103	12.25%
		Suixicun Project, Nantou	107	102	107	100.00%
		The Place	226	148	221	50.00%
		Wuguishan Longtangcun Project	187	137	187	50.00%
			5,197	4,409	2,513	
	Hong Kong	LOHAS Park Package 6, Tseung Kwan O	137	136	137	40.00%
	Haikou	Ocean Zen House	117	106	12	100.00%
	Sanya	Hongtang Bay Project	561	249	561	50.00%
		Ocean Treasure	177	111	85	98.27%
			738	360	646	

Region	Cities	Projects	Approximate total GFA (‘000 sq.m.)	Approximate total salesable GFA (‘000 sq.m.)	Remaining Landbank (‘000 sq.m.)	Interest attributable to the Group (%)
	Chongqing	Gaomiao Plot, Jiulongpo District	126	125	126	37.71%
		Gaomiao Project, Phase II, Jiulongpo District	285	213	285	37.71%
		Jiuquhe Plot 2 of Yubei District	335	246	335	37.71%
		Sino-Ocean International Golf Resort	592	480	244	42.25%
			1,338	1,064	990	
	Chengdu	Longquan Sunshine Town Project	320	263	320	50.00%
		Ocean Crown	99	46	99	60.00%
		Sino-Ocean Tailoo Li	417	362	202	50.00%
		Xipu Project	139	99	139	50.00%
			975	770	760	
	Xiamen	Plot 2017XP02, Xiang'an District	52	35	52	50.00%
		Plot 2017XP03, Xiang'an District	75	49	75	50.00%
			127	84	127	
	Kunming	Chenggong Project	222	218	222	70.00%
	Foshan	Sanshui Project	207	192	207	50.00%
			11,597	9,085	7,613	
Total			48,525	37,797	34,088	

Property investment

In 2017, revenue from property investment increased by 10% to RMB977 million (2016: RMB886 million). As at 31 December 2017, the Group held 18 operating investment properties, several small-scale office units, community retail streets and car parks for rental.

List of our investment properties in operation as at 31 December 2017 is set out as follows:

	Approximate leasable area (sq.m.)	Office premises (sq.m.)	Retail space (sq.m.)	Others (sq.m.)	Occupancy rate as at 31 December 2017 (%)	Interest attributable to the Group (%)
Ocean Plaza (Beijing)	30,000	26,000	–	4,000	99%	72.00%
Ocean International Center Block A (Beijing)	101,000	75,000	9,000	17,000	91%	100.00%
Ocean Office Park (Beijing)	127,000	81,000	22,000	24,000	95%	100.00%
Ocean We-life Plaza (Beijing)	31,000	–	31,000	–	93%	100.00%
Ocean We-life Plaza (Tianjin)	41,000	–	41,000	–	99%	100.00%
Grand Canal Plaza (Hangzhou)	68,000	–	68,000	–	88%	100.00%
North Carolina Project (USA)	12,000	12,000	–	–	91%	70.00%
San Francisco Project (USA)	6,000	6,000	–	–	100%	100.00%
Other projects	77,000	3,000	59,000	15,000		
Sub-total	493,000	203,000	230,000	60,000		
Other						
INDIGO (Beijing)	176,000	49,000	71,000	56,000	99%	50.00%
Ocean International Center, Phase II (Beijing)	77,000	47,000	19,000	11,000	95%	35.00%
Diamond Plaza (Beijing)	22,000	22,000	–	–	100%	50.00%
Silicon Valley Bright Centre building #4 (Beijing)	9,000	8,000	1,000	–	87%	50.00%
Bailibao Plaza (Shanyang)	56,000	12,000	44,000	–	80%	50.00%
Daning International Plaza (Shanghai)	38,000	38,000	–	–	77%	50.00%
Sino-Ocean Tower (Shanghai)	62,000	43,000	7,000	12,000	94%	15.00%
Haixing Plaza (Shanghai)	14,000	10,000	–	4,000	100%	50.00%
Huamin Empire Plaza (Chengdu)	51,000	48,000	2,000	1,000	55%	50.00%
Sino-Ocean Taikoo Li Chengdu (Chengdu)	99,000	–	82,000	17,000	95%	50.00%
Sub-total	604,000	277,000	226,000	101,000		
Total	1,097,000	480,000	456,000	161,000		

The audited consolidated results of the Group for the year ended 31 December 2017 are as follows:

Consolidated Balance Sheet

		As at 31 December	
		2017	2016
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,261,388	896,922
Land use rights		59,535	53,788
Investment properties		17,279,920	16,292,128
Goodwill		99,168	128,227
Investments in joint ventures		14,720,119	10,859,178
Investments in associates		4,562,962	3,018,922
Available-for-sale financial assets		3,708,978	3,653,653
Trade and other receivables and prepayments	5	8,985,682	9,419,822
Deferred income tax assets		979,095	1,110,453
		51,656,847	45,433,093
Current assets			
Prepayments for land use rights		7,507,699	5,983,061
Properties under development		47,767,443	33,900,115
Inventories, at cost		160,528	106,403
Amounts due from customers for contract work		513,524	538,571
Land development cost recoverable		814,838	1,987,353
Completed properties held for sale		19,413,477	18,058,115
Financial assets at fair value through profit or loss		14,656	355,228
Trade and other receivables and prepayments	5	39,278,801	22,561,963
Restricted bank deposits		2,797,531	3,288,450
Cash and cash equivalents		21,968,819	19,052,833
		140,237,316	105,832,092
Total assets		191,894,163	151,265,185

	As at 31 December	
	2017	2016
<i>Note</i>	RMB'000	RMB'000
EQUITY		
Equity attributable to owners of the Company		
Capital	27,129,614	26,920,490
Shares held for Restricted Share Award Scheme	(140,746)	(147,280)
Reserves	768,023	(359,691)
Retained earnings	20,745,229	17,585,122
	48,502,120	43,998,641
Non-controlling interests	10,226,108	5,331,239
Total equity	58,728,228	49,329,880
LIABILITIES		
Non-current liabilities		
Borrowings	51,033,017	37,614,895
Trade and other payables	6,895	7,112
Deferred income tax liabilities	3,249,749	2,759,924
	54,289,661	40,381,931
Current liabilities		
Borrowings	9,999,137	6,194,924
Trade and other payables	37,879,938	33,844,502
Advance receipts from customers	24,201,908	16,085,465
Income tax payable	6,795,291	5,428,483
	78,876,274	61,553,374
Total liabilities	133,165,935	101,935,305
Total equity and liabilities	191,894,163	151,265,185

Consolidated Income Statement

		Year ended 31 December	
		2017	2016
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	45,837,469	34,551,239
Cost of sales	7	(34,598,623)	(26,914,966)
Gross profit		11,238,846	7,636,273
Interest and other income		1,116,422	1,508,226
Other gains/(losses) — net	8	975,243	(85,876)
Fair value gains on investment properties		440,199	1,762,637
Selling and marketing expenses	7	(800,327)	(518,759)
Administrative expenses	7	(1,240,268)	(988,084)
Operating profit		11,730,115	9,314,417
Finance costs	9	(1,173,885)	(818,247)
Share of results of joint ventures		802,213	53,561
Share of results of associates		63,967	(42,024)
Profit before income tax		11,422,410	8,507,707
Income tax expense	10	(5,163,743)	(4,062,147)
Profit for the year		6,258,667	4,445,560
Attributable to:			
Owners of the Company		5,115,405	3,812,230
Non-controlling interests		1,143,262	633,330
		6,258,667	4,445,560
Earnings per share attributable to owners of the Company during the year (expressed in RMB)			
Basic earnings per share	11	0.680	0.493
Diluted earnings per share	11	0.678	0.493

Sino-Ocean Group Holding Limited

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Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Profit for the year	6,258,667	4,445,560
Other comprehensive income		
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets	262,088	281,212
Reversal of fair value gains on available-for-sale financial assets due to the transfer from available-for-sale financial assets to associates	–	(312,622)
Currency translation differences	184,610	(97,601)
Share of other comprehensive income of investments accounted for using the equity method	465,146	(34,427)
Other comprehensive income for the year	911,844	(163,438)
Total comprehensive income for the year	7,170,511	4,282,122
Total comprehensive income attributable to:		
— Owners of the Company	6,055,682	3,637,380
— Non-controlling interests	1,114,829	644,742
	7,170,511	4,282,122

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Sino-Ocean Group Holding Limited, formerly known as Sino-Ocean Land Holdings Limited, (the “Company”) is a limited liability company incorporated in Hong Kong on 12 March 2007. The address of its registered office is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the “Group”) are principally engaged in investment holding, property development and property investment in the People’s Republic of China (the “PRC”).

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2018.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017 and which have no material impact on the Group:

- Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to HKAS 12, and
- Disclosure initiative — amendments to HKAS 7.

The Group also elected to adopt the following amendments early.

- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Annual Improvements to HKFRS Standards 2014-2016 Cycle, and
- Transfers of Investment Property — Amendments to HKAS 40.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

- (b) *Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.*

HKFRS 9, 'Financial instruments'

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 15, 'Revenue from contracts with customers'

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18, which covers contracts for goods and services and HKAS 11, which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparative figure of the financial information of year 2018 will not be restated.

HKFRS 16 'Leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating committee (the “Committee”) that are used to make strategic decisions.

The Committee considers the business from both a geographic and product perspective. From the product perspective, management considers the performance of property development and property investment. Property development businesses are further segregated geographically.

Other operations as carried out by the Group mainly include property management services, property sales agency services, as well as upfitting services. These are not included within the reportable operating segments, as they are not included in the reports provided to the Committee. The results of these operations are included in the “All other segments” column.

The Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance costs and corporate finance income are not included in the result for each operating segment that is reviewed by the Committee, as they are driven by activities of the central treasury function, which manages the cash position of the Group. The measure also excludes the effects of any unrealized gains/losses from investments in joint ventures and associates as well as fair value gains/losses from investment properties and corporate overheads. Other information provided to the Committee, except as noted below, is measured in a manner consistent with that in the financial statements.

Total segment assets exclude corporate cash and cash equivalents, investments in joint ventures and associates, available-for-sale financial assets, other investments, financial assets at fair value through profit or loss and deferred income tax assets, all of which are managed on a central basis. Total segment liabilities exclude borrowings, deferred income tax liabilities, all of which are managed on a central basis as well. These are part of the reconciliation to total balance sheet assets and liabilities.

Transactions between segments are carried out at arm’s length. The revenue from external parties reported to the Committee is measured in a manner consistent with that in the consolidated income statement.

The segment information provided to the Committee for the reportable segments for the years ended 31 December 2017 and 2016 is as follows:

	Property development				Investment property	All other segments	Total
	Beijing-Tianjin-Hebei RMB'000	Northeast RMB'000	Central RMB'000	Southern RMB'000	property RMB'000	RMB'000	RMB'000
Year ended 31 December 2017							
Total revenue	15,258,136	4,979,556	12,199,925	9,210,853	993,857	7,057,981	49,700,308
Inter-segment revenue	-	-	-	(70,777)	(16,765)	(3,775,297)	(3,862,839)
Revenue (from external customers)	15,258,136	4,979,556	12,199,925	9,140,076	977,092	3,282,684	45,837,469
Segment operating profit	2,760,737	1,020,532	2,637,987	2,998,489	686,454	583,451	10,687,650
Depreciation and amortization	(1,855)	(873)	(1,579)	(2,024)	(927)	(40,245)	(47,503)
Year ended 31 December 2016							
Total revenue	15,364,095	6,602,476	4,499,214	4,528,783	895,680	5,748,153	37,638,401
Inter-segment revenue	-	-	(48,705)	(137,255)	(10,041)	(2,891,161)	(3,087,162)
Revenue (from external customers)	15,364,095	6,602,476	4,450,509	4,391,528	885,639	2,856,992	34,551,239
Segment operating profit	4,767,488	579,203	446,602	746,356	817,804	738,706	8,096,159
Depreciation and amortization	(1,054)	(1,099)	(1,180)	(2,518)	(1,163)	(38,279)	(45,293)
As at 31 December 2017							
Total segment assets	30,562,286	10,999,453	18,547,245	17,098,815	20,879,733	67,910,238	165,997,770
Additions to non-current assets (other than financial instruments and deferred income tax assets)	3,308	247	3,447	1,368	617,111	441,395	1,066,876
Total segment liabilities	14,343,569	5,748,971	11,597,811	9,032,759	2,413,815	25,747,107	68,884,032
As at 31 December 2016							
Total segment assets	20,271,304	15,102,982	15,175,425	12,917,101	22,312,629	44,527,984	130,307,425
Additions to non-current assets (other than financial instruments and deferred income tax assets)	538	804	607	1,915	2,707,105	368,229	3,079,198
Total segment liabilities	9,879,924	6,085,009	7,996,785	6,928,748	2,933,821	21,541,275	55,365,562

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Segment operating profit	10,687,650	8,096,159
Corporate finance income	114,734	119,819
Corporate overheads	(487,711)	(578,322)
Fair value gains on investment properties	440,199	1,762,637
Share of results of joint ventures	802,213	53,561
Share of results of associates	63,967	(42,024)
Other gains/(losses) — net	975,243	(85,876)
Finance costs	(1,173,885)	(818,247)
Profit before income tax	11,422,410	8,507,707

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total segment assets	165,997,770	130,307,425
Corporate cash and cash equivalents	1,910,583	1,960,326
Investments in joint ventures	14,720,119	10,859,178
Investments in associates	4,562,962	3,018,922
Available-for-sale financial assets	3,708,978	3,653,653
Financial assets at fair value through profit or loss	14,656	355,228
Deferred income tax assets	979,095	1,110,453
Total assets per consolidated balance sheet	191,894,163	151,265,185
Total segment liabilities	68,884,032	55,365,562
Current borrowings	9,999,137	6,194,924
Non-current borrowings	51,033,017	37,614,895
Deferred income tax liabilities	3,249,749	2,759,924
Total liabilities per consolidated balance sheet	133,165,935	101,935,305

The Company is incorporated in Hong Kong, with most of its major subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the years ended 31 December 2017 and 2016.

As at 31 December 2017, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB37,078,146,000 (2016: RMB30,608,311,000), the total of these non-current assets located in Hong Kong is RMB318,502,000 (2016: RMB317,174,000) and in the United States is RMB586,444,000 (2016: RMB323,680,000).

For the year ended 31 December 2017 and 2016, the Group does not have any single customer with the transaction value over 10% of the total external sales.

5 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December					
	Current RMB'000	2017 Non- current RMB'000	Total RMB'000	Current RMB'000	2016 Non- current RMB'000	Total RMB'000
Trade receivables	1,059,232	–	1,059,232	1,107,888	–	1,107,888
Less: provision for impairment	(45,178)	–	(45,178)	(25,745)	–	(25,745)
Trade receivables — net (a)	1,014,054	–	1,014,054	1,082,143	–	1,082,143
Tax prepayments	3,700,694	563,736	4,264,430	2,478,388	189,610	2,667,998
Entrusted loans to third parties	250,000	2,906,809	3,156,809	276,774	4,794,437	5,071,211
Entrusted loans to joint ventures	454,092	4,599,763	5,053,855	2,496,366	3,605,434	6,101,800
Entrusted loans to associates	–	580,306	580,306	–	617,106	617,106
Entrusted loans to non-controlling interests	749,298	–	749,298	446,430	–	446,430
Receivables from government	2,051,463	–	2,051,463	710,068	–	710,068
Receivables from disposal of interests in an associate	–	–	–	248,000	–	248,000
Amounts due from joint ventures	15,837,149	–	15,837,149	4,519,138	–	4,519,138
Amounts due from associates	7,638,158	–	7,638,158	2,828,199	–	2,828,199
Amounts due from non-controlling interests	2,892,709	–	2,892,709	1,323,284	–	1,323,284
Amounts due from third parties	1,692,922	–	1,692,922	3,520,673	–	3,520,673
Cooperation deposits	1,056,397	–	1,056,397	1,679,095	–	1,679,095
Other prepayments	1,050,949	–	1,050,949	281,627	–	281,627
Other receivables	890,916	335,068	1,225,984	671,778	213,235	885,013
Total trade and other receivable and prepayments	39,278,801	8,985,682	48,264,483	22,561,963	9,419,822	31,981,785

The carrying amounts of trade and other receivables and prepayments approximate their respective fair values as at 31 December 2017 and 2016.

(a) Trade receivables

Proceeds from services and sales rendered are to be received in accordance with the term of respective agreement, short credit term is provided an ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Within 6 months	879,578	869,766
Between 6 months to 1 year	80,789	100,213
Between 1 year to 2 years	66,005	116,972
Between 2 years to 3 years	12,953	10,320
Over 3 years	19,907	10,617
	<u>1,059,232</u>	<u>1,107,888</u>

As at 31 December 2017, no trade receivables (2016: nil) were pledged as collateral for the Group's borrowings.

As at 31 December 2017, trade receivables of RMB382,532,000 (2016: RMB597,719,000) were past due but not impaired. These related to a number of independent customers from upfitting services and property management services, for whom there is no significant financial difficulty and no recent history of default.

As at 31 December 2017, trade receivables of RMB45,178,000 (2016: RMB25,745,000) were impaired. The individually impaired receivables mainly related to receivables of upfitting and property management fees.

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	(25,745)	(17,371)
Provision for receivable impairment	(19,433)	(8,374)
At 31 December	(45,178)	(25,745)

6 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables	13,622,488	13,050,364
Accrued expenses	3,020,211	2,970,162
Amounts due to joint ventures (i)	8,630,367	8,569,751
Amounts due to associates (i)	829,939	615,192
Amounts due to non-controlling interests (i)	252,692	493,294
Amounts due to government	74,140	76,067
Other taxes payable	1,002,792	531,217
Deposits received	3,527,434	2,427,396
Other payables	6,926,770	5,118,171
	37,886,833	33,851,614
Less: non-current portion	(6,895)	(7,112)
Current portion	37,879,938	33,844,502

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

- (i) Amounts due to joint ventures, associates and non-controlling interests are unsecured, interest free, and repayable on demand.
- (ii) An ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 6 months	5,561,251	7,880,738
Between 6 months to 12 months	3,096,831	1,415,151
Between 1 year to 2 years	2,404,487	2,705,053
Between 2 years to 3 years	2,151,475	767,532
Over 3 years	408,444	281,890
	13,622,488	13,050,364

7 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	12,997,478	7,617,080
— Capitalized interest	3,002,938	2,080,972
— Construction related cost	15,114,873	13,131,871
Cost of up fitting services rendered	1,163,430	1,259,778
Primary land development	47,960	57,858
Direct investment property expenses	190,108	147,068
Employee benefit expense	1,367,843	1,150,908
Consultancy fee	271,432	210,459
Auditor's remuneration	11,600	11,600
— Audit services	8,800	8,800
— Non-audit services	2,800	2,800
Depreciation	44,902	45,034
Amortization of land use rights	2,601	259
Advertising and marketing	563,709	500,724
Business taxes and other levies	773,928	1,288,322
Impairment charges	96,628	90,113
Derecognition of goodwill	35,809	136,955
Office expenditure	132,164	104,116
Properties maintenance expenses	577,532	379,850
Energy expenses	122,972	89,573
Others	121,311	119,269
	36,639,218	28,421,809

8 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Gains on partial disposal of interests in a subsidiary	—	76,858
(Losses)/Gains on disposal of entire interests in a subsidiary	(24,694)	63,466
Gains/(Losses) on disposal of joint ventures	20,941	(6,399)
Gains on disposal of associates	72,785	21,781
Gains on deemed disposal of joint ventures and associates	753,361	234,076
(Losses)/Gains on revaluation of financial assets at fair value through profit or loss	(336,221)	135,561
Losses on disposal of financial assets at fair value through profit or loss	(24,270)	(5,316)
Gains on disposal of available-for-sale financial assets	124,635	—
Losses on deemed disposal of available-for-sale financial assets	(15,876)	—
(Losses)/Gains on disposal of property, plant and equipment	(619)	2,514
Losses on disposal of an investment property	(2,870)	—
Exchange gains/(losses)	382,773	(628,070)
Negative goodwill on business combinations	62,947	284
Other (losses)/gains	(37,649)	19,369
	975,243	(85,876)

9 FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest expense:		
— Bank borrowings	696,551	671,627
— Other borrowings	2,490,530	2,169,130
Less: interest capitalized at a capitalization rate of 5.19% (2016: 5.38%) per annum	(2,013,196)	(2,022,510)
	1,173,885	818,247

10 INCOME TAX EXPENSE

Majority of the Group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these Group entities for the years ended 31 December 2017 and 2016. Other Group entities are mainly subject to Hong Kong profits tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	3,096,457	2,094,017
— PRC land appreciation tax	2,095,322	1,786,715
Deferred income tax	(28,036)	181,415
	5,163,743	4,062,147

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	11,422,410	8,507,707
Adjust for: Share of results of joint ventures	(802,213)	(53,561)
Share of results of associates	(63,967)	42,024
	10,556,230	8,496,170
Tax calculated at a tax rate of 25%	2,639,058	2,124,043
Effect of higher tax rate for the appreciation of land in the PRC	1,571,492	1,340,036
Income not subject to tax	(6,276)	(5,301)
Expenses not deductible for tax purposes	428,131	409,936
Dividend withholding tax	350,645	206,411
Tax losses not recognized	206,996	79,811
Utilization of previously unrecognized tax losses and expenses	(26,303)	(92,789)
Income tax expense	5,163,743	4,062,147

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as share held for Restricted Share Award Scheme.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	5,115,405	3,812,230
Distribution relating to capital securities (RMB'000)	–	(111,078)
Profit used to determine basic earnings per share (RMB'000)	5,115,405	3,701,152
Weighted average number of ordinary shares in issue (thousands)	7,517,481	7,501,204
Basic earnings per share (RMB per share)	0.680	0.493

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to, assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held for the Restricted Share Award Scheme. For the share options and shares held for the Restricted Share Award Scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options and awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awarded shares.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	5,115,405	3,812,230
Distribution relating to capital securities (RMB'000)	–	(111,078)
Profit used to determine diluted earnings per share (RMB'000)	5,115,405	3,701,152
Weighted average number of ordinary shares in issue (thousands)	7,517,481	7,501,204
Adjustment for:		
— share options (thousands)	24,078	–
— shares held for the Restricted Share Award scheme (thousands)	6,056	545
Weighted average number of ordinary shares for diluted earnings per share (thousands)	7,547,615	7,501,749
Diluted earnings per share (RMB per share)	0.678	0.493

12 DIVIDENDS

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend paid	1,072,542	511,068
Proposed final dividend of RMB0.125 (2016: RMB0.106) per ordinary share (a)	<u>948,191</u>	<u>799,489</u>

- (a) On 21 March 2018, the Company proposed a final dividend of RMB948,191,000 for the year ended 31 December 2017.

13 SUBSEQUENT EVENT

On 25 January 2018 and 9 February 2018, the Company successfully issued Medium-term Note amounting to RMB3,000,000,000 and RMB3,000,000,000 with coupon rate 5.87% and 5.95% per year of a term of both three years respectively.

Until now, the issuance of Medium-term Note in an aggregate amount of RMB10 billion has been completed.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed upon by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

FINAL DIVIDEND

The Board proposed to recommend at the forthcoming AGM to be held on Friday, 18 May 2018 the payment of a final dividend of HKD0.155 per ordinary share for the year ended 31 December 2017. The final dividend will be paid in cash. The final dividend is subject to the approval of the shareholders at the forthcoming AGM. The final dividend will be paid to the shareholders whose names are standing in the register of members of ordinary shares of the Company on Thursday, 24 May 2018. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited (the "Share Registrar") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 24 May 2018.

It is expected that the cheques for cash entitlement in relation to the 2017 final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or around Thursday, 5 July 2018.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 18 May 2018. The notice of AGM will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of ordinary shares of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018 (both dates inclusive), during which no transfer of ordinary shares will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar no later than 4:30 p.m. on Monday, 14 May 2018.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in the paragraph headed "Restricted Share Award Scheme", neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

RESTRICTED SHARE AWARD SCHEME

The Restricted Share Award Scheme (the "Award Scheme") was adopted by the Board on 22 March 2010 (the "Adoption Date") as an incentive to retain and encourage employees for the continual operation and development of the Group. During the year under review, the trustee of the Award Scheme, pursuant to the terms of the rules and trust deed of the Award Scheme, acquired 8,344,154 shares of the Company by way of market acquisition at an aggregate consideration of approximately RMB37,712,320 (including transaction cost). Up to 31 December 2017, 131,430,859 shares of the Company had been acquired from the market, and from receiving scrip shares in lieu of cash dividend by the trustee, at an aggregate consideration of approximately RMB437,773,858 (including transaction costs), representing 2.33% of the issued share capital of the Company as at the Adoption Date.

Details of the number of shares awarded under Award Scheme and the shares vested during the year under review are set out below:

Date of award	Balance as at 1 January 2017	Shares awarded during the period	Awarded Shares		Balance as at 31 December 2017
			No. of shares vested during the period	No. of shares lapsed during the period (note)	
18 March 2014	1,584,150	–	(1,579,200)	(4,950)	–
18 March 2015	6,649,311	–	(5,318,821)	(23,352)	1,307,138
25 March 2016	13,334,900	–	(7,753,025)	(846,087)	4,735,788
31 March 2017	–	10,890,000	–	(60,000)	10,830,000
Total	21,568,361	10,890,000	(14,651,046)	(934,389)	16,872,926

Note: Pursuant to the Award Scheme, 934,389 awarded shares were lapsed upon the death or resignation of awardees during the year under review.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the year under review, except as noted hereunder.

The roles of the chairman (the “Chairman”) and the chief executive officer (the “Chief Executive Officer”) of the Company are served by Mr. LI Ming and have not been segregated as required under code provision A.2.1 of the CG Code. However, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company.

During the period from 4 June 2017, the date of passing away of Mr. TSANG Hing Lun, a then independent non-executive Director (“INED”), to 14 August 2017, the date of appointment of INED, Ms. LAM Sin Lai Judy, the composition of the Board was not compliance with Rule 3.10A of the Listing Rules which requires at least one-third of the Board must be INED, and also was not compliance with Rule 3.21 of the Listing Rules, which requires majority of the audit committee members must be INEDs. Save as aforesaid, the Board, during the year under review, had five INEDs, being one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Chairman of the Board should attend the annual general meeting of the Company under code provision E.1.2 of the CG Code. Due to other pre-arranged business commitments which had to be attended, Mr. LI Ming, Chairman of the Board and Executive Director, was unable to attend the annual general meeting of the Company held on 18 May 2017.

Further information of the Company’s corporate governance practices will be set out in the Corporate Governance Report of the Company’s 2017 Annual Report which will be sent to the shareholders on or about 16 April 2018.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2017.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.sinooceangroup.com). The annual report for the year ended 31 December 2017 will be despatched to the shareholders on or about 16 April 2018 and will be available on the Company's and the Stock Exchange's websites at about the same time.

APPRECIATION

On behalf of the Board, I would like to extend my deepest gratitude to all shareholders, investors, local authorities, business partners and customers who have been most supportive; also to our directors, management and the entire staff for their dedicated hard work. We could not have performed so well and achieved our targets in the past year without their unreserved support.

By order of the Board
Sino-Ocean Group Holding Limited
LI Ming
Chairman

Hong Kong, 21 March 2018

As at the date of this announcement, the directors of the Company comprise:

Executive directors:

Mr. LI Ming
Mr. LI Hu
Mr. WANG Yeyi
Mr. SUM Pui Ying
Mr. WEN Haicheng
Mr. LI Hongbo

Non-executive directors:

Mr. ZHAO Lijun
Mr. YAO Dafeng
Mr. FANG Jun
Ms. SHANGGUAN Qing

Independent non-executive directors:

Mr. HAN Xiaojing
Mr. SUEN Man Tak
Mr. WANG Zhifeng
Mr. JIN Qingjun
Ms. LAM Sin Lai Judy