遠洋集團

SINO-OCEAN

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Total contracted sales amounted to a record high of RMB109,510 million, representing an increase of 55% as compared to last year.
- Revenue amounted to RMB41,422 million.
- Profit attributable to owners of the Company amounted to RMB3,574 million. Core profit amounted to RMB2,619 million. Basic earnings per share was RMB0.473.
- As at 31 December 2018, net gearing ratio was 73% and total cash resources increased by 72% to RMB42,571 million, maintaining financial soundness.
- Total assets increased by 30% to RMB249,362 million.
- The Board is pleased to propose a final dividend of HKD0.073 per share, in the form of cash. Together with the interim dividend of HKD0.140 per share, total dividend declared for the year was HKD0.213 per share. Dividend payout ratio remained at 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 2018.

For the twelve months ended 31 December 2018, the Group recorded RMB41,422 million in revenue, a decrease of 10% compared to the previous year. Profit attributable to owners of the Company and earnings per share decreased to RMB3,574 million and RMB0.473, respectively, decreasing by 30% compared to the previous year.

Based on the profit attributable to owners of the Company in 2018, the Board is pleased to propose a final dividend of HKD0.073 per share for the year ended 31 December 2018. Together with the interim dividend of HKD0.140 per share, total dividend per share for 2018 was HKD0.213 (2017: HKD0.322), representing a dividend payment ratio of 40% (2017: 40%). The payment of the 2018 final dividend would be subject to the approval of the shareholders of the Company (the "Shareholders") at the Company's annual general meeting (the "AGM").

MARKET REVIEW AND PROSPECT

2018 market review

In 2018, China's economy and real estate industry experienced numerous complications and changes. As the Sino-US trade war escalated, financial risks accumulated and domestic reforms intensified, the country's economy moved on steadily, GDP grew by 6.6%, structure adjustment and transformation continued, and development quality was rising all the time.

Following the trend of 'steady growth, controlled risk', the Central Government was determined to solve the problems in the real estate market, adhering firmly to the principle of 'housing is for accommodation not speculation', making it clear that there would not be 'any relaxation of measures' and encouraging market sentiments to be rational. In these circumstances, local authorities continued the highly controlling measures of 2016 and 2017, applying differentiating policies to cities according to situations and intensifying market regulation in the second half of the year. To generate more profound effect, the Central Government accelerated the formation of long-term regulatory mechanisms, encouraged the re-structuring of housing supply, actively supported rental housing and joint-ownership housing. The real estate market in China is silently undergoing changes.

Faced with stringent macro measures, GFA sold and sales amount of commodity housing nation-wide in 2018 were record high. GFA sold was 1.72 billion sq.m., up by 1.3% year-on-year; sales amount RMB1,500 billion, increased by 12%. In the first half of the year, demands in emerging tier-two and tier-three cities caused the market to be buoyant, but since the meeting of the Central Politburo on 31 July motioned to 'adamantly curb housing prices', the market sentiments of 'bullish outlook' and 'cyclical turnover' were gradually knocked back. As the effect of the measures emerged, many property markets in urban areas dipped. From September onwards, growth rate of commodity housing GFA sold nation-wide turned negative. Meanwhile, differentiation among regions and cities became even more complicated with individual cities having varying market conditions and performances.

The land market saw distinct differences in the two halves of the year. In the first six months, property enterprises acquired land plots earnestly while in the rest of the year they became more cautious as expected changes emerged. There were increased cases of aborted auction and withdrawal of land plot sale, pushing land premium to a record low. In addition, huge supply of joint-ownership residential sites and rental land plots, as well as collective rental sites created a new model for land use and hence far-reaching changes in the land market.

The stringent finance environment in 2018 caused total finance to shrink and cost to rise. Property enterprises in general firmly believed cash is king and therefore sped up turnover, encouraged sales and cash proceeds dynamically to maintain liquidity. In a complex circumstance of sluggish market outlook, more fierce competition and increased difficulty in finance, concentration of the industry continued to rise.

2019 market outlook

It is the 70th anniversary of new China in 2019 and a critical year for the country to build a moderately prosperous society nation-wide. In view of the complex domestic and foreign environment and unrelenting downward pressure on the economy, economic efforts will be executed according to the principle of 'six stabilities' — stable employment, stable finance, stable foreign trade, stable foreign capital, stable investment, stable expectations'. Looking ahead, policies for the industry will continue to be severe and stable, local authorities will become regulatory bodies. Under the main theme of 'housing for accommodation not speculation, they will regulate precisely by 'one city one policy'. Meanwhile the long-term mechanisms to regulate the property market are expected to be implemented. The connection of short-term regulation and long-term mechanisms will restore the industry to a stable and healthy state for high quality growth.

The medium to long-term view is, urbanization in China will push ahead and the aggregation effect of the five major city clusters will expand. Core and key cities will attract people from near and afar throughout the country and hence give rise to continuous housing demands. Existing residents' needs for upgrading cannot be neglected either. Both new housing demands and existing housing upgrade will ensure the industry's growth. As the driving forces of economy in China are changing the government hopes to generate growth through releasing domestic demands. The Central Economic Work Conference proposed accelerated development in the service sector including education, nursery, senior living, medicines and public health, culture and tourism. As many of these are closely linked to their principal business, property developers will reap dividends from this policy and can look forward to a promising future.

FINANCIAL REVIEW

Revenue

The components of revenue are analyzed as follows:

(RMB million)	2018	2017	Change (%)
Property development	**35,493**	41,578	–15%
Property investment	**1,077**	977	10%
Property management	**1,129**	930	21%
Other real estate related businesses	**3,723**	2,352	58%
Total	**41,422**	45,837	–10%

The Group's revenue in 2018 decreased by 10% to RMB41,422 million, from RMB45,837 million in 2017. The decrease was mainly due to delay of construction schedule caused by environmental shutdown in the first quarter of 2018. Besides, some projects were disposed in the way of share transfer and the relevant income was not recognised as revenue. Property development segment remained the largest contributor which accounted for about 86% of total revenue. Beijing as our home base accounted for approximately 30% (2017: 29%) of the Group's total revenue in 2018, amounting to RMB12,624 million (2017: RMB13,206 million). As we have developed a diversified portfolio of landbank, revenue from property development from the Beijing-Tianjin-Hebei Region accounting for 26% of 2018, decreasing from 37% of 2017, and percentage of revenue from property development of other regions increased. During the year, 79% of revenue from property development was contributed by the five city clusters (2017: 86%).

Cost of sales

The cost of property development, mainly comprising of land cost and construction cost, accounted for approximately 87% of the Group's total cost of sales in 2018 (2017: 92%). Excluding carparks, the average land cost per sq.m. of property development business in 2018 decreased to approximately RMB6,500 compared to RMB6,400 in 2017, which was due to more properties delivered from acquired projects at relatively lower land cost. Average construction cost per sq.m. (excluding carparks) for property development business increased to approximately RMB6,300 for the year, compared to RMB5,400 in 2017. The increase in average construction cost was mainly due to an increase in the proportion of villas and retail space's recognition.

Gross profit

Gross profit for the year was RMB8,287 million, representing a decrease of 26% compared to 2017. Gross profit margin decreased to 20% (2017: 25%), mainly due to an increase in impairment provision on inventory and amortisation of revaluation surplus for the current year related to gains from business combination.

Interest and other income and gains (net)

Interest and other income increased by 128% to RMB2,543 million in 2018, compared to RMB1,116 million in 2017. Such increase was mainly due to the increase in entrusted loan provided, leading to an increase in overall interest income during the year.

The Group recorded other gains (net) of RMB1,340 million (2017: RMB975 million). Other gains (net) were mainly comprised of gains on disposal of subsidiaries, deemed disposal gains on joint ventures and fair value gains on financial assets held for trading 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 RMB2,361 million for 2018 (2017: RMB440 million). Gain on fair value on investment properties was mainly attributed to an office premise located in CBD of Beijing reclassified into investment property.

Operating expenses

Selling and marketing expenses for 2018 raised to RMB1,206 million (2017: RMB800 million). These costs accounted for only approximately 1.1% of the total contracted sales amount for 2018 (2017: 1.1%).

Administrative expenses incurred for 2018 increased to RMB1,730 million (2017: RMB1,240 million), representing 4.2% of the total revenue for 2018 (2017: 2.7%). 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 RMB1,775 million to be charged through consolidated income statement during the year, compared to RMB1,174 million in 2017. Due to a shrinking external finance environment, our weighted average interest rate increased to 5.38% in 2018 (2017: 5.19%), while total interest expenses paid or accrued amounted to RMB4,210 million (2017: RMB3,187 million).

Taxation

The aggregate of enterprise income tax and deferred tax decreased slightly to RMB3,059 million in 2018 (2017: RMB3,068 million), reflecting an effective tax rate of 40% (2017: 33%). The increase in effective tax rate was due to more tax non-deductible expenses during the year. In addition, land appreciation tax in 2018 increased to RMB3,250 million (2017: RMB2,095 million) because acquisition premium of project companies was not deductible for land appreciation tax and the difference of accounting treatment and tax treatment of land appreciation tax on certain projects.

Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by 30% to RMB3,574 million in 2018, compared to RMB5,115 million in 2017. Excluding one-off items and fair value gains on investment properties, core profit amounted to RMB2,619 million, a decrease of 35% compared to RMB4,022 million in 2017 due to the decrease in recognised sales. Core profit margin decreased by 3 percentage points compared with 2017. Return on average equity was approximately 7% in 2018 (2017: 11%). 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 2018, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB42,571 million, with a current ratio of 1.6 times. Together with unutilized credit facilities of about RMB189,400 million, the Group is financially sound.

The Group's net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) was 73% (2017: approximately 62%), maintaining financial soundness.

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

(RMB million)	As at 31 December 2018	As a percentage of total borrowings	As at 31 December 2017	As a percentage of total borrowings
Within 1 year	**15,425**	**17%**	9,999	16%
1 to 2 years	**12,637**	**14%**	13,817	23%
2 to 5 years	**46,231**	**52%**	23,641	39%
Over 5 years	**14,282**	**17%**	13,575	22%
Total	**88,575**	**100%**	61,032	100%

BUSINESS REVIEW

Property development

Recognized sales

Revenue from property development business decreased by 15% in 2018, amounting to RMB35,493 million (2017: RMB41,578 million). The decrease was primarily due to the timing of revenue recognition, and projects being delivered in 2018 decreased. Saleable GFA delivered decreased by 12% from approximately 2,618,000 sq.m. in 2017 to approximately 2,293,000 sq.m. in 2018. The average selling price recognized in 2018 was about RMB15,500 per sq.m. (2017: RMB15,900 per sq.m.).

Revenue and saleable GFA delivered from each city during 2018 are set out as follows:

Regions	Cities	Revenue *(RMB million)*	Saleable GFA delivered *(sq.m.)*	Average selling price recognized *(RMB/sq.m.)*
Beijing-Tianjin-Hebei Region	Beijing	7,152	116,600	61,300
	Tianjin	1,689	148,600	11,400
	Shijiazhuang	2	100	20,000
		8,843	**265,300**	**33,300**
Yangtze River Delta Region	Shanghai	2,104	73,600	28,600
	Hangzhou	4,280	164,100	26,100
	Nanjing	26	1,200	21,700
	Taizhou	16	900	17,800
		6,426	**239,800**	**26,800**

Regions	Cities	Revenue *(RMB million)*	Saleable GFA delivered *(sq.m.)*	Average selling price recognized *(RMB/sq.m.)*
Yangtze Mid-stream Region	Wuhan	2,524	262,600	9,600
		2,524	**262,600**	**9,600**
Pearl River Delta Region	Zhongshan	1,787	186,200	9,600
	Shenzhen	3,868	129,400	29,900
	Guangzhou	1,929	51,000	37,800
	Sanya	222	11,500	19,300
		7,806	**378,100**	**20,600**
Chengdu-Chongqing Region	Chongqing	1,431	163,800	8,700
		1,431	**163,800**	**8,700**
Other Region	Dalian	3,324	248,400	13,400
	Shenyang	2,010	139,700	14,400
	Changchun	1,162	189,900	6,100
	Qingdao	210	15,800	13,300
		6,706	**593,800**	**11,300**
	Other projects	170	20,400	8,300
Subtotal (excluding carparks)		33,906	1,923,800	17,600
Carparks (various projects)		1,587	368,800	4,300
Total		**35,493**	**2,292,600**	**15,500**

Contracted sales

Our contracted sales (including our joint ventures and associates) in 2018 amounted to a record high of RMB109,510 million, representing approximately 55% increase compared to RMB70,560 million in 2017. The average selling price (excluding car parks) increased by 13% to RMB22,900 per sq.m. (2017: RMB20,200 per sq.m.). The average selling price (including car parks) increased by 12% to RMB21,200 per sq.m. (2017: RMB19,000 per sq.m.).

The contracted sales amounts and saleable GFA sold by cities in 2018 are set out below:

Regions	**Cities**	**Contracted sales** *(RMB million)*	**Saleable GFA sold** *(sq.m.)*	**Average selling price** *(RMB/sq.m.)*
Beijing-Tianjin-Hebei Region	Beijing	27,604	809,700	34,100
	Tianjin	12,043	551,200	21,800
	Shijiazhuang	4,747	394,800	12,000
	Langfang	290	43,900	6,600
	Zhangjiakou	160	11,800	13,600
		44,844	**1,811,400**	**24,800**
Yangtze River Delta Region	Shanghai	1,666	55,200	30,200
	Hangzhou	2,345	53,800	43,600
	Nanjing	800	62,100	12,900
	Suzhou	511	31,300	16,300
	Wuxi	1,661	87,100	19,100
	Jiaxing	1,064	54,000	19,700
	Chuzhou	88	10,400	8,500
	Changzhou	480	32,700	14,700
	Taizhou	397	14,400	27,600
	Shaoxing	177	11,600	15,300
	Wenzhou	32	1,400	22,900
	Zhangzhou	80	10,500	7,600
		9,301	**424,500**	**21,900**

Regions	Cities	Contracted sales *(RMB million)*	Saleable GFA sold *(sq.m.)*	Average selling price *(RMB/sq.m.)*
Yangtze Mid-stream Region	Wuhan	6,429	332,300	19,300
	Hefei	3,100	180,200	17,200
	Changsha	1,982	141,100	14,000
	Nanchang	98	9,000	10,900
		11,609	**662,600**	**17,500**
Pearl River Delta Region	Zhongshan	5,101	397,500	12,800
	Shenzhen	5,395	148,500	36,300
	Guangzhou	7,450	223,900	33,300
	Foshan	462	40,000	11,600
	Hong Kong	9,737	65,100	149,600
	Zhanjiang	9	1,100	8,200
	Sanya	913	21,500	42,500
	Haikou	34	2,700	12,600
		29,101	**900,300**	**32,300**
Chengdu-Chongqing Region	Chengdu	2,964	234,500	12,600
	Chongqing	351	20,600	17,000
	Kunming	141	19,200	7,300
		3,456	**274,300**	**12,600**
Other Region	Dalian	3,951	206,700	19,100
	Shenyang	1,230	94,200	13,100
	Changchun	931	75,300	12,400
	Qingdao	1,928	145,100	13,300
	Zhengzhou	177	19,900	8,900
	Xi’an	226	19,000	11,900
	Jinan	250	14,200	17,600
		8,693	**574,400**	**15,100**

Regions	Cities	Contracted sales *(RMB million)*	Saleable GFA sold *(sq.m.)*	Average selling price *(RMB/sq.m.)*
	Other projects	460	52,000	8,800
Subtotal (excluding carparks)		107,464	4,699,500	22,900
Carparks (various projects)		2,046	469,200	4,400
Total		**109,510**	**5,168,700**	**21,200**

Landbank and Construction in Progress

Total GFA and total saleable GFA completed in 2018 were approximately 2,916,500 sq.m. and 2,543,000 sq.m., respectively, each decreasing 6% as compared to that in 2017.

The Group's landbank increased by 19% to approximately 40,440,000 sq.m. in 2018 (2017: 34,088,000 sq.m.); while landbank with attributable interest increased by 18% to 21,761,000 sq.m. (2017: 18,490,000 sq.m.). In 2018, we acquired 59 plots of land and 2 matured projects, total GFA and attributable interest GFA were 10,181,000 sq.m. and 5,672,000 sq.m., respectively. The average acquisition cost per sq.m. of the newly acquired land plots was RMB7,100. In terms of saleable GFA, the average land cost per sq.m. for our landbank as at 31 December 2018 was approximately RMB6,900 (2017: RMB6,500).

The Group's landbank details as at 31 December 2018 are set out as follows:

Regions	Cities	Projects	Districts	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	Shunyi District, Beijing	79	79	79	23.00%
		CBD Plot Z6	Chaoyang District, Beijing	27	21	27	100.00%
		CBD Plot Z13	Chaoyang District, Beijing	162	126	162	10.00%
		Changping Sci-tech Park F2 Project	Changping District, Beijing	256	193	251	50.00%
		Eternal Scenery	Miyun District, Beijing	482	341	419	50.00%
		Grand Harmory Emerald Residence	Daxing District, Beijing	224	165	224	40.00%
		Gold Mansion	Daxing District, Beijing	118	99	118	25.00%
		Jasper Epoch	Daxing District, Beijing	92	78	92	49.00%
		Jialihua Project, Shunyi District	Shunyi District, Beijing	277	206	277	100.00%
		Liangxiang Project	Fangshan District, Beijing	126	102	126	11.10%
		Lize Business District Project	Fengtai District, Beijing	441	331	441	17.25%
		Mentougou Tanzhe Temple Project	Mentougou District, Beijing	430	344	430	10.00%
		Mizhiyun Project	Miyun District, Beijing	80	71	42	90.00%
		Ocean Epoch	Shijingshan District, Beijing	264	198	143	100.00%
		Ocean LA VIE	Chaoyang District, Beijing	318	305	57	85.72%
		Ocean Melody	Chaoyang District, Beijing	55	50	2	100.00%
		Ocean Metropolis	Mentougou District, Beijing	330	276	205	75.00%
		Ocean Palace	Daxing District, Beijing	436	383	78	100.00%
		Ocean Wuliepoch	Shijingshan District, Beijing	595	458	595	21.00%
		Our New World	Fangshan District, Beijing	109	91	35	100.00%
		Plot 6002, Mentougou, New Town	Mentougou District, Beijing	125	97	125	21.00%
		Royal River Villa	Chaoyang District, Beijing	132	118	132	12.25%
		Sino-Ocean Shin Kong Project	Tongzhou District, Beijing	479	334	479	50.00%
		Xanadu & Ocean Epoch	Chaoyang District, Beijing	230	193	230	50.00%
		Xiji Plot C, Tongzhou District	Tongzhou District, Beijing	221	170	51	30.00%
		Xiji Plot D, Tongzhou District	Tongzhou District, Beijing	128	113	128	10.00%
		Xiji Plot E, Tongzhou District	Tongzhou District, Beijing	139	136	139	50.00%
		Yizhuang EDA Plot G2R1	Daxing District, Beijing	300	207	300	50.00%
		Yizhuang Motor Tower Project	Daxing District, Beijing	67	41	67	100.00%
		Yongjingtaoyuan Project	Chaoyang District, Beijing	692	554	692	49.00%
				7,414	5,880	6,146	

Regions	Cities	Projects	Districts	Approximate total GFA ('000 sq.m.)	Approximate total salesable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
	Tianjin	Airport Logistics Project	Binhai New Area, Tianjin	24	–	24	100.00%
		Boda Logistic Project	Wuqing District, Tianjin	285	–	285	100.00%
		Elegant Prestige	Jinnan District, Tianjin	285	194	285	25.00%
		Happy Light Year	Wuqing District, Tianjin	504	317	504	50.00%
		Longfor Mansion	Jinnan District, Tianjin	227	171	227	33.00%
		Neo-metropolis	Beichen District, Tianjin	3,034	2,615	2,828	51.00%
		Ocean Chanson	Wuqing District, Tianjin	204	199	40	100.00%
		Ocean City	Binhai New Area, Tianjin	2,137	1,683	345	100.00%
		Ocean Epoch	Binhai New Area, Tianjin	35	25	35	100.00%
		Ocean Express	Dongli District, Tianjin	335	288	1	100.00%
		Ocean Great Harmony	Xiqing District, Tianjin	350	290	49	100.00%
		Ocean Inside	Binhai New Area, Tianjin	183	176	47	60.00%
		Ocean International Center	Hedong District, Tianjin	321	200	39	50.00%
		Ocean Kunting	Binhai New Area, Tianjin	675	488	620	64.28%
		Ocean Prospect	Dongli District, Tianjin	321	309	52	100.00%
		Royal River	Wuqing District, Tianjin	349	333	148	100.00%
		The Great Habitat Mansion House	Dongli District, Tianjin	562	385	363	42.00%
		Xanadu	Binhai New Area, Tianjin	185	135	185	42.86%
				10,016	7,808	6,077	
	Shijiazhuang	Chang'an District Redevelopment Project	Chang'an District, Shijiazhuang	363	268	361	30.70%
		Jade Mansion	Gaocheng District, Shijiazhuang	146	99	146	51.00%
		Sino-Ocean No. 7	Chang'an District, Shijiazhuang	115	103	115	20.00%
		Vigorous Mansion	Chang'an District, Shijiazhuang	228	171	228	51.00%
		Zhengding New District Project	Zhengding New District, Shijiazhuang	152	140	152	47.94%
				1,004	781	1,002	
	Langfang	Nianziying Project	Guangyang District, Langfang	1,897	954	1,897	51.00%
		Xiang He Wan Run Project	Xianghe County, Langfang	269	180	269	20.00%
				2,166	1,134	2,166	
	Zhangjiakou	Centrality Mansion	Qiaodong District, Zhangjiakou	203	163	203	60.00%
	Qinhuangdao	Seatopia Resort	Funing District, Qinhuangdao	1,438	1,243	1,438	49.00%
				22,241	**17,009**	**17,032**	

Regions	Cities	Projects	Districts	Approximate total GFA ('000 sq.m.)	Approximate total salesable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
Yangtze River Delta Region	Shanghai	Chongming Dongtan Project	Chongming District, Shanghai	1,072	672	1,003	13.54%
		Ocean Fortune Center	Pudong New Area, Shanghai	59	45	26	100.00%
		Ocean Mansion No. 7	Baoshan District, Shanghai	117	110	2	100.00%
		Ocean Melody	Pudong New Area, Shanghai	323	279	70	100.00%
		Wellness Masterpiece	Qingpu District, Shanghai	49	41	49	50.00%
		Yuanbo Hotel Project	Putuo District, Shanghai	54	–	54	50.00%
				1,674	1,147	1,204	
	Hangzhou	Canal Business Center Project	Gongshu District, Hangzhou	609	292	12	100.00%
		Chongxian B-6 Plot, Yuhang District	Yuhang District, Hangzhou	111	65	111	49.00%
		Chongxian C-7 Plot, Yuhang District	Yuhang District, Hangzhou	107	73	107	51.00%
		Neo 1	Gongshu District, Hangzhou	43	40	43	50.00%
		Ocean Melody	Jianggan District, Hangzhou	58	39	1	100.00%
		Seasons Countyard	Gongshu District, Hangzhou	129	89	129	50.00%
		Sino-Ocean Native Place	Xiaoshan District, Hangzhou	68	41	48	100.00%
				1,125	639	451	
	Nanjing	Binjiang Logistics Project	Jiangning District, Nanjing	58	–	58	38.00%
		Ocean Landscape	Jiangning District, Nanjing	147	121	146	70.00%
		Ocean Seasons	Lishui District, Nanjing	234	184	234	100.00%
		Sino-Ocean Land Greenland Premier Court	Jiangning District, Nanjing	71	67	27	50.00%
		Sino-Ocean Tangyue Landscape	Liuhe District, Nanjing	54	52	54	100.00%
				564	424	519	
	Suzhou	Easy Town	Huqiu District, Suzhou	104	85	104	16.50%
		Fenhu Plot 006	Wujiang District, Suzhou	113	79	113	34.00%
		Kunshan Yushan Cold Chain Logistics Project	Yushan, Kunshan City	62	–	62	34.00%
		Mansion Yue	Wujiang District, Suzhou	150	147	150	70.00%
		Ocean Melody	Port area, Taicang City	105	77	105	34.00%
		Plot 58, Suzhou New District	Huqiu District, Suzhou	91	75	91	14.00%
		Rocker Park	Huqiu District, Suzhou	240	198	240	30.00%
		Shihu Project	Wuzhong District, Suzhou	49	–	49	68.75%
				914	661	914	

Regions	Cities	Projects	Districts	Approximate total GFA ('000 sq.m.)	Approximate total salesable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
	Wuxi	Haoshi Project	Wuxi New Area, Wuxi	63	52	63	40.00%
		Taihu Milestone	Wuxi New Area, Wuxi	116	93	116	40.00%
				179	145	179	
	Jiaxing	East Lake	Haining City, Jiaxing	109	73	109	33.00%
		Jiaxing Logistic Project	Hunan District, Jiaxing	96	–	96	38.00%
		Lakeside Wonderland	Xiuzhou District, Jiaxing	134	124	134	33.00%
		Ocean Lake Mansion	Haining City, Jiaxing	95	91	95	100.00%
		Plot 34, Jiashan	Jiashan County, Jiaxing	122	106	122	30.00%
		Zhapu Logistics Project	Pinghu City, Jiaxing	44	–	44	40.00%
				600	394	600	
	Chuzhou	Ocean Mansion	Chahe Town, Chuzhou	108	82	108	100.00%
	Changzhou	Sky Peninsula	Yanshan New Area, Liyang, Changzhou	101	99	101	40.00%
	Taizhou	Mansion	Jiaojiang District, Taizhou	79	65	78	40.00%
	Shaoxing	Ocean Yue Masterpiece	Keqiao District, Shaoxing	93	93	93	100.00%
	Wenzhou	Ocean Century Mansion	Longwan District, Wenzhou	153	107	153	100.00%
	Xiamen	Plot 2017XP02, Xiang'an District	Xiang'an District, Xiamen	52	35	52	50.00%
		Plot 2017XP03, Xiang'an District	Xiang'an District, Xiamen	75	49	75	48.02%
				127	84	127	
	Zhangzhou	Sino-Ocean Scenery	Zhao'an County, Zhangzhou	81	79	81	70.00%
				5,798	**4,019**	**4,608**	
Yangtze Mid-stream Region	Wuhan	Hejiadun Project	Jianghan District, Wuhan	1,019	972	613	61.00%
		Jiangxia Logistic Project	Jiangxia District, Wuhan	45	–	45	100.00%
		Ocean World	Dongxihu District, Wuhan	398	369	19	100.00%
		Oriental World View	Hanyang District, Wuhan	1,880	1,509	1,880	10.50%
				3,342	2,850	2,557	
	Hefei	Feidong FD18-13 Project	Feidong County, Hefei	197	186	197	100.00%
		Ocean Glory	Binhu New Area, Hefei	322	242	322	25.00%
		Sino-Ocean Landscape	Feidong County, Hefei	200	180	200	70.00%
				719	608	719	

Regions	Cities	Projects	Districts	Approximate total GFA ('000 sq.m.)	Approximate total salesable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
	Changsha	Bund No.1	Yuelu District, Changsha	134	95	134	28.45%
		Yajun Project	Wangcheng District, Changsha	422	332	422	10.00%
				556	427	556	
	Nanchang	Sino-Ocean Elite Mansion	Wanli District, Nanchang	106	102	106	20.00%
		Wanli 178 Project	Wanli District, Nanchang	173	122	173	51.00%
				279	224	279	
				4,896	**4,109**	**4,111**	
Pearl River Delta Region	Zhongshan	Blossoms Valley	Shenwan Town, Zhongshan	1,172	1,037	1,161	75.00%
		King Realm	Dongsheng Town, Zhongshan	181	134	175	75.00%
		Ocean City	Eastern District, Zhongshan	2,083	1,736	105	100.00%
		Ocean Emerald	Nantou Town, Zhongshan	437	412	63	51.00%
		Ocean Longshire	Henglan Town, Zhongshan	96	85	49	80.00%
		Ocean Prospect	Shiqi District, Zhongshan	91	66	36	30.00%
		SCity (formerly known as Suixicun 162 Project, Nantou)	Nantou Town, Zhongshan	90	68	90	34.00%
		SCity (formerly known as Suixicun 163 Project, Nantou)	Nantou Town, Zhongshan	34	26	34	34.00%
		Sino-Ocean Aristocratic Family	Eastern District, Zhongshan	103	78	103	12.25%
		Sino-Ocean Landscape	Minzhong Town, Zhongshan	210	159	210	50.00%
		Wuguishan Longtangcun Project	Wuguishan Town, Zhongshan	187	137	187	50.00%
		Zhonghui City (formerly known as Suixicun 135 Project, Nantou)	Nantou Town, Zhongshan	43	33	43	34.00%
		Zhonghui City (formerly known as Suixicun 136 Project, Nantou)	Nantou Town, Zhongshan	83	62	83	30.00%
		Zhonghui City (formerly known as Suixicun 137 Project, Nantou)	Nantou Town, Zhongshan	107	102	107	45.00%
				4,917	4,135	2,446	
	Shenzhen	Lishan Project	Nanshan District, Shenzhen	171	120	67	60.00%
		Long Chuan Tang Project	Nanshan District, Shenzhen	115	52	115	60.00%
		Longhua District De Ai Industrial Park	Longhua District, Shenzhen	533	282	533	80.00%
		Ocean Express	Longgang District, Shenzhen	556	437	154	84.70%
		Ocean Metropolis	Longgang District, Shenzhen	390	292	271	100.00%
				1,765	1,183	1,140	

Regions	Cities	Projects	Districts	Approximate total GFA ('000 sq.m.)	Approximate total salesable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
	Guangzhou	Elite Palace	Tianhe District, Guangzhou	310	279	151	100.00%
		Fenggangcun, Zhucun Street Project	Zengcheng District, Guangzhou	141	96	141	40.00%
		Hibiscus Villa	Huadu District, Guangzhou	179	87	162	51.00%
		Honoka project in Baiyun District	Baiyun District, Guangzhou	285	198	285	16.66%
				915	660	739	
	Foshan	Delight River	Sanshui District, Foshan	207	192	207	50.00%
		Elite Palace	Sanshui District, Foshan	259	191	259	51.00%
		Plot 1 Sanshui New City, Sanshui District	Sanshui District, Foshan	285	221	285	49.00%
				751	604	751	
	Hong Kong	LP6	Tseung Kwan O, Hong Kong	137	136	137	40.00%
	Zhanjiang	Ocean City	Xiashan District, Zhanjiang	612	493	612	45.50%
	Maoming	Sino-Ocean Landscape	Maonan District, Maoming	291	289	291	51.00%
	Sanya	Hongtang Bay Project	Tianya District, Sanya	561	249	561	50.00%
		Ocean Treasure	Jiyang District, Sanya	177	111	77	100.00%
				738	360	638	
	Haikou	Ocean Zen House	Xiuying District, Haikou	117	106	5	100.00%
				10,243	**7,966**	**6,759**	
Chengdu- Chongqing Region	Chongqing	Chayuan Project	Chayuan New Area, Chongqing	178	132	178	50.00%
		Chongqing College Town Project	Shazhoubei District, Chongqing	102	71	102	50.00%
		Gaomiao Plot, Jiulongpo District	Jiulongpo District, Chongqing	126	125	126	50.00%
		Gaomiao Project, Phase II, Jiulongpo District	Jiulongpo District, Chongqing	285	213	18	50.00%
		Ocean Ninth Prince	Yubei District, Chongqing	335	246	335	50.00%
		Poetry of Landscape	Shazhoubei District, Chongqing	166	165	166	100.00%
		Sino-Ocean International Golf Resort	Banan District, Chongqing	592	480	244	42.50%
				1,784	1,432	1,169	

Regions	Cities	Projects	Districts	Approximate total GFA ('000 sq.m.)	Approximate total salesable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
	Chengdu	Jinniu Project	Jinniu District, Chengdu	122	106	122	25.00%
		Longquan Sunshine Town Project	Longquanyi District, Chengdu	320	263	320	50.00%
		Ocean Crown	Qingyang District, Chengdu	99	46	99	60.00%
		Ocean Habitat	Chongzhou City, Chengdu	123	98	123	100.00%
		Qingyang Project	Qingyang District, Chengdu	71	38	71	50.00%
		Sino-Ocean Taikoo Li Chengdu	Jinjiang District, Chengdu	417	362	186	50.00%
		Xipu Project	Pidu District, Chengdu	139	99	139	50.00%
				1,291	1,012	1,060	
	Kunming	Chenggong Project	Chenggong District, Kunming	222	218	222	70.00%
		Chenggong Project, Phase II	Chenggong District, Kunming	99	88	99	70.00%
		Kunming Airport Project	Guandu District, Kunming	37	–	37	38.00%
		Sino-Ocean Esthetics Mansion	Panlong District, Kunming	164	145	164	55.00%
				522	451	522	
				3,597	**2,895**	**2,751**	
Other Region	Dalian	Jinma Project	Jinzhou District, Dalian	77	43	35	10.00%
		Ocean Diamond Bay	Ganjingzi District, Dalian	2,046	1,746	1,104	100.00%
		Ocean Worldview	Jinzhou District, Dalian	1,902	1,645	367	100.00%
		Sino-Ocean Technopole	Jinzhou District, Dalian	922	540	922	100.00%
		The Place of Glory	Ganjingzi District, Dalian	925	875	291	100.00%
		Xiaoyao Bay Project	Jinzhou District, Dalian	219	175	219	100.00%
		Zhonghua Road Plot #2	Ganjingzi District, Dalian	111	52	111	100.00%
				6,202	5,076	3,049	
	Shenyang	Grand Canal Milestone	Shenhe District, Shenyang	382	257	152	100.00%
		Ocean Paradise	Heping District, Shenyang	713	695	9	100.00%
		Yuqin Biyuan Project	Hunnan District, Shenyang	212	169	212	64.00%
				1,307	1,121	373	

Regions	Cities	Projects	Districts	Approximate total GFA ('000 sq.m.)	Approximate total salesable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
	Changchun	Orient Palace	Nanguan District, Changchun	73	60	73	20.00%
	Qingdao	Ocean Melody	Huangdao Development Zone,Qingdao	109	107	14	100.00%
		Ocean Seasons	Laoshan District, Qingdao	146	132	18	100.00%
		Xingzhengyuan Project,Jiaozhou	Jiaozhou City, Qingdao	333	269	320	75.00%
				588	508	352	
	Taiyuan	Shengjian Project, Xiaodian District	Xiaodian District, Taiyuan	45	40	45	60.00%
	Zhengzhou	Ocean Melody	Zhongmu County, Zhengzhou	43	38	43	69.30%
		Ocean Prospect	Longhu Town, Xinzheng City, Zhengzhou	169	158	169	51.00%
		Yongzhixing Cold Chain Logistics Project	Airport Economic Zone, Zhengzhou	172	–	172	100.00%
				384	196	384	
	Xuzhou	Jiawang Logistics Project	Jiawang District, Xuzhou	86	–	86	40.00%
	Xi'an	Qinhanxincheng Logistics Project	Weicheng District, Xianyang City	67	–	67	40.00%
		Zhaocun Project	Weiyang District, Xi'an	321	316	321	50.00%
				388	316	388	
	Yantai	Sino-Ocean Donglai County	Laishan District, Yantai	43	42	43	100.00%
	Jinan	Tangye Project	Lixia District, Jinan	390	371	390	50.00%
				9,506	**7,730**	**5,183**	
Total				**56,281**	**43,728**	**40,444**	

Property investment

In 2018, revenue from property investment increased by 10% to RMB1,077 million (2017: RMB977 million). As at 31 December 2018, the Group held more than 18 operating investment properties, in which the majority were office units.

List of our investment properties as at 31 December 2018 is set out as follows:

Projects	District	Approximate leasable area (sq.m.)	Office premises (sq.m.)	Retail space (sq.m.)	Others (sq.m.)	Occupancy rate as at 31 December 2018 (%)	Interest attributable to the Group (%)
Ocean Plaza (Beijing)	Xicheng District, Beijing	30,000	26,000	–	4,000	100%	72%
Ocean International Center (Beijing)	Chaoyang District, Beijing	94,000	70,000	7,000	17,000	91%	100%
Ocean We-life (Tianjin)	Binhai New District, Tianjin	28,000	–	28,000	–	96%	100%
Grand Canal Plaza (Hangzhou)	Gongshu District, Hangzhou	67,000	–	67,000	–	87%	100%
North Carolina Project (USA)	Durham, North Carolina	12,000	12,000	–	–	89%	70%
San Francisco Project (USA)	Financial District, San Francisco	6,000	6,000	–	–	90%	100%
Other Projects		66,000	16,000	35,000	15,000		
Subtotal		303,000	130,000	137,000	36,000		
Other							
Diamond Plaza (Beijing)	Haidian District, Beijing	22,000	20,000	–	2,000	100%	50%
INDIGO (Beijing)	Chaoyang District, Beijing	225,000	52,000	48,000	125,000	98%	50%
Ocean International Center, Phase II (Beijing)	Chaoyang District, Beijing	70,000	46,000	13,000	11,000	94%	35%
Ocean Office Park (Beijing)	Chaoyang District, Beijing	107,000	81,000	12,000	14,000	97%	53%
Ocean We-life Plaza (Beijing)	Chaoyang District, Beijing	31,000	–	31,000	–	97%	50%
Ocean We-life Plaza (Tianjin)	Hedong District, Tianjin	41,000	–	41,000	–	99%	50%
Daning International Plaza (Shanghai)	Jinjiang District, Shanghai	38,000	38,000	–	–	85%	50%
Haixing Plaza (Shanghai)	Huangpu District, Shanghai	14,000	10,000	–	4,000	59%	50%
Sino-Ocean Tower (Shanghai)	Huangpu District, Shanghai	62,000	46,000	4,000	12,000	90%	30%
Huamin Empire Plaza (Chengdu)	Jinjiang District, Chengdu	51,000	47,000	2,000	2,000	52%	50%
Sino-Ocean Taikoo Li Chengdu (Chengdu)	Jinjiang District, Chengdu	115,000	–	84,000	31,000	99%	50%
Bailibao Plaza (Shenyang)	Heping District, Shenyang	56,000	–	56,000	–	80%	50%
Other projects		84,000	17,000	24,000	43,000		
Subtotal		916,000	357,000	315,000	244,000		
Total		**1,219,000**	**487,000**	**452,000**	**280,000**		

The audited consolidated results of the Group for the year ended 31 December 2018 are as follows:

Consolidated Balance Sheet

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,412,243**	1,261,388
Land use rights		**235,794**	59,535
Intangible assets		**453,278**	–
Goodwill		**514,039**	99,168
Investment properties		**16,205,333**	17,279,920
Investments in joint ventures		**20,330,505**	14,720,119
Investments in associates		**7,177,355**	4,562,962
Financial assets at fair value through other comprehensive income		**679,952**	–
Financial assets at fair value through profit or loss		**3,961,645**	–
Available-for-sale financial assets		**–**	3,708,978
Trade and other receivables and prepayments	6	**15,520,575**	8,985,682
Deferred income tax assets		**1,145,474**	979,095
Total non-current assets		**68,636,193**	51,656,847
Current assets			
Prepayments for land use rights		**2,160,585**	7,507,699
Properties under development		**54,655,796**	47,767,443
Inventories, at cost		**92,437**	160,528
Amounts due from customers for contract work		**–**	513,524
Land development cost recoverable		**1,119,558**	814,838
Completed properties held for sale		**20,083,298**	19,413,477
Financial assets at fair value through profit or loss		**182,504**	14,656
Trade and other receivables and prepayments	6	**57,454,635**	39,278,801
Contract assets		**2,405,696**	–
Restricted bank deposits		**3,362,876**	2,797,531
Cash and cash equivalents		**39,208,481**	21,968,819
Total current assets		**180,725,866**	140,237,316
Total assets		**249,362,059**	191,894,163

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Capital		**27,328,810**	27,129,614
Shares held for Restricted Share Award Scheme		**(178,317)**	(140,746)
Reserves		**(1,313,848)**	768,023
Retained earnings		**22,548,161**	20,745,229
		48,384,806	48,502,120
Non-controlling interests		**14,753,699**	10,226,108
Total equity		**63,138,505**	58,728,228
LIABILITIES			
Non-current liabilities			
Borrowings		**73,150,254**	51,033,017
Trade and other payables	*7*	**167,531**	6,895
Deferred income tax liabilities		**2,680,889**	3,249,749
Total non-current liabilities		**75,998,674**	54,289,661
Current liabilities			
Borrowings		**15,424,825**	9,999,137
Trade and other payables	*7*	**59,198,070**	37,879,938
Contract liabilities		**26,789,737**	–
Advance receipts from customers		**–**	24,201,908
Income tax payable		**8,665,309**	6,795,291
Financial liabilities at fair value through profit or loss		**146,939**	–
Total current liabilities		**110,224,880**	78,876,274
Total liabilities		**186,223,554**	133,165,935
Total equity and liabilities		**249,362,059**	191,894,163

Consolidated Income Statement

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**41,422,099**	45,837,469
Cost of sales	8	**(33,135,597)**	(34,598,623)
Gross profit		**8,286,502**	11,238,846
Interest and other income		**2,542,684**	1,116,422
Other gains — net	9	**1,339,960**	975,243
Fair value gains on investment properties		**2,361,070**	440,199
Selling and marketing expenses	8	**(1,205,559)**	(800,327)
Administrative expenses	8	**(1,730,205)**	(1,240,268)
Operating profit		**11,594,452**	11,730,115
Finance costs	10	**(1,774,760)**	(1,173,885)
Share of results of joint ventures		**1,103,464**	802,213
Share of results of associates		**52,065**	63,967
Profit before income tax		**10,975,221**	11,422,410
Income tax expense	11	**(6,309,400)**	(5,163,743)
Profit for the year		**4,665,821**	6,258,667
Attributable to:			
Owners of the Company		**3,573,745**	5,115,405
Non-controlling interests		**1,092,076**	1,143,262
		4,665,821	6,258,667
Earnings per share attributable to owners of the Company during the year (expressed in RMB)			
Basic earnings per share	12	**0.473**	0.680
Diluted earnings per share	12	**0.470**	0.678

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**4,665,821**	6,258,667
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Fair value losses on financial assets at fair value through other comprehensive income, net of tax	**(28,923)**	–
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets	**–**	262,088
Currency translation differences	**(24,923)**	184,610
Share of other comprehensive income of investments accounted for using the equity method	**(1,463,874)**	465,146
Other comprehensive income for the year	**(1,517,720)**	911,844
Total comprehensive income for the year, net of tax	**3,148,101**	7,170,511
Total comprehensive income attributable to:		
— Owners of the Company	**1,851,135**	5,999,048
— Non-controlling interests	**1,296,966**	1,171,463
	3,148,101	7,170,511

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Sino-Ocean Group Holding 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 20 March 2019.

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, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, 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.

The financial information relating to the years ended 31 December 2017 and 2018 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2017 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 662(3) of, and Part 3 of the Schedule 6 to, the Ordinance. The specified financial statements for the year ended 31st December 2018 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with 662(3) of, and Part 3 of the Schedule 6 to, the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31 December 2017 and 2018. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under sections 406(2) or 407(2) or (3) of the Ordinance.

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 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Annual Improvements 2014–2016 cycle
- Transfers to Investment Property — Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group also elected to adopt the following amendments early.

- Annual Improvements to HKFRS Standards 2015–2017 Cycle, and

  The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 (Note 4.1) and HKFRS 15 (Note 4.2). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 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 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 by lessees, 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.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore results in an increase in right of use assets and an increase in financial liabilities in the consolidated balance sheet. In the consolidated income statement, as a result, the operating expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expenses will increase.

The directors consider that the adoption of the new standard will have limited impact on the current consolidated financial position of the Group as the aggregated amount of non-concellable operating lease is small. However with these business expands in the near future the Group expects that HKFRS 16 will have some impact on the consolidated financial position of the Group.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial instruments and HKFRS 15 Revenue from contracts with customers on the Group's financial statements.

4.1 HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

(i) *Classification and measurement of financial instruments*

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018 is as follow:

	RMB'000
Opening retained earnings — HKAS 39	20,745,229
Reclassify investments from available-for-sale to financial assets at fair value through profit or loss ("FVPL")	199,031
Adjustment to retained earnings from adoption of HKFRS 9	199,031
Opening retained earnings — HKFRS 9 (before restatement for HKFRS 15)	20,944,260

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost.

The main effects resulting from this reclassification are as follows:

	Available-for-sale financial assets ("AFS") *RMB'000*	**Financial assets at fair value through other comprehensive income ("FVOCI")** *RMB'000*	**Financial assets at fair value through profit or loss ("FVPL")** *RMB'000*
At 1 January 2018			
Opening balance — HKAS 39	3,708,978	—	—
Reclassify from AFS to FVOCI	(657,165)	657,165	—
Reclassify from AFS to FVPL	(3,051,813)	—	3,051,813
Opening balance — HKFRS 9	—	657,165	3,051,813

The main effects resulting from this reclassification on the Group's equity is as follows:

	AFS reserve *RMB'000*	FVOCI reserve *RMB'000*	Retained earnings *RMB'000*
At 1 January 2018			
Opening balance — HKAS 39	251,673	—	20,745,229
Reclassify from AFS to FVOCI	(52,642)	52,642	—
Reclassify from AFS to FVPL	(199,031)	—	199,031
Opening balance — HKFRS 9	—	52,642	20,944,260

(ii) Impairment of financial assets

For the Group's assessment of financial assets that are subject to HKFRS's new expected credit loss.

4.2 HKFRS 15 Revenue from contracts with customers

The Group has adopted HKFRS 15 Revenue from contracts with customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS18") and HKAS 11 Construction contracts ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

Accounting for property development activities
In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied for the period in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations.

Accounting for costs incurred to obtain a contract
Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component
For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Presentation of contract assets and liabilities
Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.

- Contract assets recognised in relation to construction activities and prepaid sales commission were previously presented as due from customers for contract work and trade and other receivables and prepayments respectively.

(a) The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2018 Effects of the adoption of HKFRS 15
	RMB'000
Consolidated balance sheet (extract)	
Goodwill	(9,582)
Investments in joint ventures	1,503
Investments in associates	20,022
Properties under development	(1,641,328)
Completed properties held for sale	(953,498)
Amounts due from customers for contract work	(513,524)
Contract assets	641,433
Trade and other payables	241,598
Advance receipts from customers	(24,201,908)
Contract liabilities	21,235,422
Income tax payable	125,715
Deferred income tax liabilities	30,669
Retained earnings	57,529
Non-controlling interests	56,001

(b) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018 Effects of the adoption of HKFRS 15
	RMB'000
Consolidated balance sheet (extract)	
Goodwill	(5,185)
Investments in joint ventures	5,482
Investments in associates	73,077
Properties under development	(2,474,981)
Completed properties held for sale	(1,362,854)
Amounts due from customers for contract work	(819,322)
Contract assets	2,417,785
Trade and other payables	446,726
Advance receipts from customers	(31,058,908)
Contract liabilities	26,789,737
Income tax payable	610,085
Deferred income tax liabilities	186,396
Retained earnings	715,003
Non-controlling interests	144,963

	Year ended 31 December 2018 Effects of the adoption of HKFRS 15
	RMB'000
Consolidated income statement (extract)	
Revenue	2,590,541
Cost of sales	(1,261,042)
Share of gains of joint ventures	3,979
Share of gains of associates	53,055
Income tax expense	(640,097)
Profit for the year	746,436
— Attributable to owners of the Company	657,474
— Attributable to non-controlling interests	88,962

(c) Details of contract assets are as follows:

	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*
Contract assets related to sales of properties	**1,598,463**	127,909
Contract assets related to construction services	**819,322**	513,524
Total contract assets	**2,417,785**	641,433

(d) *Contract liabilities*

(i) As at 1 January and 31 December 2018, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts.

5 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, financial assets at fair value through other comprehensive income, 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 and financial liabilities at fair value through profit or loss, 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 2018 and 2017 is as follows:

	Property development							
	Beijing-Tianjin-Hebei RMB'000	Yangtze River Delta RMB'000	Yangtze Mid-stream and Chengdu-Chongqing RMB'000	Pearl River Delta RMB'000	Others RMB'000	Investment property RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2018								
Total revenue	**9,603,837**	**6,968,862**	**4,150,029**	**8,018,733**	**7,113,782**	**1,105,395**	**9,003,598**	**45,964,236**
Inter-segment revenue	**(81,416)**	**(218,170)**	**–**	**(53,424)**	**(9,561)**	**(28,805)**	**(4,150,761)**	**(4,542,137)**
Revenue (from external customers)	**9,522,421**	**6,750,692**	**4,150,029**	**7,965,309**	**7,104,221**	**1,076,590**	**4,852,837**	**41,422,099**
Segment operating profit	**1,638,437**	**1,161,292**	**271,029**	**2,523,464**	**1,435,041**	**747,944**	**679,916**	**8,457,123**
Depreciation and amortization	**(2,221)**	**(1,246)**	**(500)**	**(1,289)**	**(726)**	**(898)**	**(89,060)**	**(95,940)**
Year ended 31 December 2017								
Total revenue	15,258,136	7,682,390	3,710,583	9,210,853	5,786,508	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	7,682,390	3,710,583	9,140,076	5,786,508	977,092	3,282,684	45,837,469
Segment operating profit	2,760,737	1,036,937	874,999	2,998,488	1,746,582	686,454	583,453	10,687,650
Depreciation and amortization	(1,855)	(1,208)	(221)	(2,024)	(1,024)	(927)	(40,244)	(47,503)
As at 31 December 2018								
Total segment assets	**32,535,979**	**16,035,925**	**13,350,224**	**28,608,288**	**15,042,635**	**18,311,388**	**88,006,682**	**211,891,121**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**56**	**2,842**	**1,614**	**1,371**	**4,291**	**4,806,533**	**2,027,106**	**6,843,813**
Total segment liabilities	**22,233,398**	**7,320,687**	**6,733,471**	**15,732,406**	**10,041,201**	**1,324,583**	**31,434,901**	**94,820,647**
As at 31 December 2017								
Total segment assets	30,562,286	11,170,819	6,416,658	17,098,815	11,959,220	20,879,733	67,910,239	165,997,770
Additions to non-current assets (other than financial instruments and deferred income tax assets)	3,308	3,095	137	1,368	462	617,111	441,395	1,066,876
Total segment liabilities	14,343,569	7,079,666	4,305,927	9,032,759	5,961,189	2,413,815	25,747,107	68,884,032

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Segment operating profit	**8,457,123**	10,687,650
Corporate finance income	**49,420**	114,734
Corporate overheads	**(613,121)**	(487,711)
Fair value gains on investment properties	**2,361,070**	440,199
Other gains — net	**1,339,960**	975,243
Finance costs	**(1,774,760)**	(1,173,885)
Share of results of joint ventures	**1,103,464**	802,213
Share of results of associates	**52,065**	63,967
Profit before income tax	**10,975,221**	11,422,410

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Total segment assets	**211,891,121**	165,997,770
Corporate cash and cash equivalents	**3,993,503**	1,910,583
Investments in joint ventures	**20,330,505**	14,720,119
Investments in associates	**7,177,355**	4,562,962
Financial assets at fair value through other comprehensive income	**679,952**	–
Available-for-sale financial assets	**–**	3,708,978
Financial assets at fair value through profit or loss	**4,144,149**	14,656
Deferred income tax assets	**1,145,474**	979,095
Total assets per consolidated balance sheet	**249,362,059**	191,894,163
Total segment liabilities	**94,820,647**	68,884,032
Current borrowings	**15,424,825**	9,999,137
Non-current borrowings	**73,150,254**	51,033,017
Deferred income tax liabilities	**2,680,889**	3,249,749
Financial liabilities at fair value through profit or loss	**146,939**	–
Total liabilities per consolidated balance sheet	**186,223,554**	133,165,935

For the year ended 31 December 2018, included in the revenue of sales of properties, RMB 32,902,131,000 was recognised as a point in time, RMB2,590,541,000 was recognised over the period due to the adoption of HKFRS 15.

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 2018 and 2017.

As at 31 December 2018, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB45,638,734,000 (2017: RMB37,078,146,000), the total of these non-current assets located in Hong Kong is RMB410,635,000 (2017: RMB318,502,000) and in the United States is RMB1,279,178,000 (2017: RMB586,444,000).

For the year ended 31 December 2018 and 2017, the Group does not have any single customer with the transaction value over 10% of the total external sales.

6 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**2,563,406**	1,097,782
Less: provision for impairment of trade receivables	**(46,467)**	(45,178)
	2,516,939	1,052,604
Less: non-current portion	**–**	–
Current portion	**2,516,939**	1,052,604

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**1,272,137**	879,578
Between 6 months to 1 year	**894,529**	119,339
Between 1 year to 2 years	**349,763**	66,005
Between 2 years to 3 years	**27,903**	12,953
Over 3 years	**19,074**	19,907
	2,563,406	1,097,782

As at 31 December 2018, no trade receivables (2017: nil) were pledged as collateral for the Group's borrowings.

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
At 1 January	**(45,178)**	(25,745)
Provision for receivable impairment	**(1,289)**	(19,433)
At 31 December	**(46,467)**	(45,178)

(b) Other receivables and prepayments

	As at 31 December					
	2018			2017		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Entrusted loans to third parties	**1,064,219**	**1,821,995**	**2,886,214**	50,000	2,376,809	2,426,809
Entrusted loans to joint ventures	**2,264,638**	**9,251,451**	**11,516,089**	454,092	4,599,763	5,053,855
Entrusted loans to associates	**1,012,566**	**116,689**	**1,129,255**	–	580,306	580,306
Entrusted loans to non-controlling interests	**791,000**	**475,000**	**1,266,000**	749,298	200,000	949,298
Amounts due from third parties	**2,698,956**	**–**	**2,698,956**	1,281,332	–	1,281,332
Amounts due from joint ventures	**16,598,387**	**–**	**16,598,387**	15,944,187	–	15,944,187
Amounts due from associates	**9,723,159**	**–**	**9,723,159**	7,638,158	–	7,638,158
Amounts due from non-controlling interests	**7,775,365**	**–**	**7,775,365**	2,932,709	–	2,932,709
Tax prepayments	**4,271,512**	**1,616,282**	**5,887,794**	3,700,694	563,736	4,264,430
Receivables from government	**2,600,818**	**–**	**2,600,818**	2,051,463	–	2,051,463
Payment for the cooperation of protential properties development projects	**1,955,893**	**1,110,000**	**3,065,893**	1,446,397	330,000	1,776,397
Receivables from disposal of interest in a subsidiary	**863,472**	**–**	**863,472**	–	–	–
Other prepayments	**1,270,393**	**–**	**1,270,393**	1,086,951	–	1,086,951
Other receivables	**2,116,072**	**1,146,056**	**3,262,128**	890,916	335,068	1,225,984
Less: provision for impairment of other receivables	**(68,754)**	**(16,898)**	**(85,652)**	–	–	–
Other receivables and prepayments	**54,937,696**	**15,520,575**	**70,458,271**	38,226,197	8,985,682	47,211,879

The carrying amounts of trade and other receivables and prepayments approximate their respective fair values as at 31 December 2018 and 2017.

7 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**18,290,208**	13,622,488
Accrued expenses	**3,135,060**	3,020,211
Amounts due to joint ventures (i)	**9,388,039**	8,630,367
Amounts due to associates (i)	**4,274,001**	829,939
Amounts due to non-controlling interests (i)	**7,422,527**	252,692
Amounts due to government	**72,114**	74,140
Other taxes payable	**1,733,417**	1,002,792
Deposits received	**5,160,682**	3,527,434
Other payables	**9,889,553**	6,926,770
	59,365,601	37,886,833
Less: non-current portion	**(167,531)**	(6,895)
Current portion	**59,198,070**	37,879,938

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	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**8,481,970**	5,561,251
Between 6 months to 12 months	**4,684,871**	3,096,831
Between 1 year to 2 years	**3,783,846**	2,404,487
Between 2 years to 3 years	**709,919**	2,151,475
Over 3 years	**629,602**	408,444
	18,290,208	13,622,488

8 EXPENSES BY NATURE

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost of properties and land use rights sold:		
— Land use rights	**12,102,063**	12,997,478
— Capitalized interest	**4,591,681**	3,002,938
— Construction related cost	**12,115,758**	15,114,873
Cost of up fitting services rendered	**1,754,801**	1,163,430
Direct investment property expenses	**205,632**	190,108
Employee benefit expense	**1,426,520**	1,367,843
Consultancy fee	**381,329**	271,432
Auditor's remuneration	**11,600**	11,600
— Audit services	**8,800**	8,800
— Non-audit services	**2,800**	2,800
Depreciation	**76,665**	44,902
Amortization of land use rights and intangible asset	**19,275**	2,601
Advertising and marketing	**990,452**	563,709
Business taxes and other levies	**405,036**	773,928
Impairment provision	**781,869**	96,628
Derecognition of goodwill	**154,510**	35,809
Office expenditure	**175,259**	132,164
Properties maintenance expenses	**702,020**	577,532
Energy expenses	**145,659**	122,972
Others	**31,232**	169,271
	36,071,361	36,639,218

9 OTHER GAINS — NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Gains/(losses) on disposal of interests in subsidiaries	**2,097,238**	(24,694)
Payment for the settlement of contracted obligations (a)	**(730,000)**	–
Gains on deemed disposal of joint ventures and associates	**265,701**	753,361
Gains on disposal of available-for-sale financial assets	**–**	124,635
Losses on disposal of financial assets at fair value through profit or loss	**(9,975)**	(24,270)
Gains/(losses) on revaluation of financial assets and financial liabilities at fair value through profit or loss	**269,543**	(336,221)
Exchange (losses)/gains	**(576,232)**	382,773
Gains/(losses) on disposal of investment properties	**8,147**	(2,870)
Gains/(losses) on disposal of property, plant and equipment	**4,921**	(619)
Negative goodwill on business combinations	**2,636**	62,947
Gains on disposal of joint ventures and associates	**57**	93,726
Losses on deemed disposal of available-for-sale financial assets	**–**	(15,876)
Other gains/(losses)	**7,924**	(37,649)
	1,339,960	975,243

(a) This represents a payment to a third party for settlement of certain contracted obligations which cannot be performed by the Group.

10 FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest expense:		
— Bank borrowings	**1,081,121**	696,551
— Other borrowings	**3,128,758**	2,490,530
Less: interest capitalized at a capitalization rate of 5.38% (2017: 5.19%) per annum	**(2,435,119)**	(2,013,196)
	1,774,760	1,173,885

11 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 2018 and 2017. 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	
	2018	2017
	RMB'000	*RMB'000*
Current income tax:		
— PRC enterprise income tax	**2,952,542**	3,096,457
— PRC land appreciation tax	**3,250,003**	2,095,322
Deferred income tax	**106,855**	(28,036)
	6,309,400	5,163,743

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	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**10,975,221**	11,422,410
Adjust for: Share of results of joint ventures	**(1,103,464)**	(802,213)
Share of results of associates	**(52,065)**	(63,967)
	9,819,692	10,556,230
Tax calculated at a tax rate of 25%	**2,454,923**	2,639,058
Effect of higher tax rate for the appreciation of land in the PRC	**2,437,502**	1,571,492
Income not subject to tax	**(87,306)**	(6,276)
Expenses not deductible for tax purposes	**776,387**	344,867
Dividend withholding tax	**–**	350,645
Tax losses not recognized	**436,808**	206,996
Utilization of previously unrecognized tax losses and expenses	**(184,049)**	(26,303)
Reversal of previously recognized deferred income tax assets	**103,757**	1,115
Deductible temporary differences not recognized	**195,188**	82,149
Effect of tax adjustment due to disposal of interest in a subsidiary (i)	**176,190**	–
Income tax expense	**6,309,400**	5,163,743

(i) This is the income tax adjustment for the gains due to disposal of interest in a subsidiary.

12 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	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**3,573,745**	5,115,405
Profit used to determine basic earnings per share (RMB'000)	**3,573,745**	5,115,405
Weighted average number of ordinary shares in issue (thousands)	**7,553,266**	7,517,481
Basic earnings per share (RMB per share)	**0.473**	0.680

(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	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**3,573,745**	5,115,405
Profit used to determine diluted earnings per share (RMB'000)	**3,573,745**	5,115,405
Weighted average number of ordinary shares in issue (thousands)	**7,553,266**	7,517,481
Adjustment for:		
— share options (thousands)	**38,454**	24,078
— shares held for the Restricted Share Award scheme (thousands)	**4,629**	6,056
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**7,596,349**	7,547,615
Diluted earnings per share (RMB per share)	**0.470**	0.678

13 DIVIDENDS

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Interim dividend paid	**938,280**	1,072,542
Proposed final dividend of RMB0.062 (2017: RMB0.125) per ordinary share (a)	**474,979**	948,191

(a) On 20 March 2019, the Company proposed a final dividend of RMB474,979,000 for the year ended 31 December 2018.

14 SUBSEQUENT EVENT

(a) On 24 January 2019, Sino-Ocean Land Treasure IV Limited (the "Issuer"), a wholly-owned subsidiary of the Company, issued guaranteed notes with principal amount of USD500,000,000 at interest rate of 5.25% due in 2022 (the "Notes"). The Notes are unsecured and are guaranteed by the Company.

(b) On 29 January 2019, Sino-Ocean Land Treasure Finance I Limited, a wholly-owned subsidiary of the Company, issued a notice informing the trustee and noteholders that it would redeem the 4.625% guaranteed notes due 2019 in the principal amount of USD500,000,000 (the "2019 Notes") in whole (the "Redemption") on 1 March 2019 (the "Redemption Date"), at a price equal to the make whole price as of the Redemption Date calculated in accordance with the terms and conditions of the 2019 Notes, together with accrued and any unpaid interest up to (but excluding) the Redemption Date. On 1 March 2019, the Redemption were completed.

(c) On 1 February 2019, the investors, Heroic Peace Limited, a wholly-owned subsidiary of the Company, and Fortune Joy Ventures Limited ("Target Company"), a wholly-owned subsidiary of the Company, entered into a subscription agreement, pursuant to which the Target Company has agreed to allot and issue, and the investors have agreed to subscribe for, a total of 5,100 subscription shares at the aggregate subscription price of USD295,800,000. The subscription shares represent 51.00% of the total number of issued shares of the Target Company.

Upon completion of the subscription, the Target Company ceased to be a wholly-owned subsidiary of the Company and became a non wholly-owned subsidiary of the Company and its financial results continue to be consolidated into the Company's consolidated financial statements as a result of the control by the Company of the composition of the majority of the members of the board of directors of the Target Company.

(d) On 18 March 2019, Sino-Ocean Holding Group (China) Limited, a wholly-owned subsidiary of the Company, issued corporate bonds amounting to RMB1,700,000,000 and RMB1,200,000,000 with coupon rate 4.06% and 4.59% per year of a term of five years and seven years respectively.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 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 Thursday, 16 May 2019 the payment of a final dividend of HKD0.073 per ordinary share for the year ended 31 December 2018. The final dividend will be paid in cash. The final dividend is subject to the approval of the Shareholders at the 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 Tuesday, 21 May 2019. 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 Tuesday, 21 May 2019.

It is expected that the cheques for cash entitlement in relation to the 2018 final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or around Thursday, 4 July 2019.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 16 May 2019. The notice of AGM will be published and despatched to the Shareholders 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 Friday, 10 May 2019 to Thursday, 16 May 2019 (both dates inclusive), during which period 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 Thursday, 9 May 2019.

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 17,847,216 shares of the Company by way of acquisition at an aggregate consideration of approximately RMB74,017,304 (including transaction costs). Up to 31 December 2018, 149,278,075 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 RMB511,791,162 (including transaction costs), representing 2.65% 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:

	Awarded Shares				
Date of award	**Balance as at 1 January 2018**	**Shares awarded during the year**	**No. of shares vested during the year**	**No. of shares lapsed during the year** *(note)*	**Balance as at 31 December 2018**
18 March 2015	1,307,138	–	(1,305,211)	(1,927)	–
25 March 2016	4,735,788	–	(3,710,987)	(142,882)	881,919
31 March 2017	10,830,000	–	(6,365,000)	(767,500)	3,697,500
Total	16,872,926	–	(11,381,198)	(912,309)	4,579,419

Note: Pursuant to the Award Scheme, 912,309 awarded shares were lapsed upon the 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 for the deviations as disclosed hereunder.

The roles of the chairman (the "Chairman") and the chief executive officer (the "CEO") 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 CEO involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company.

Code provision A.1.7 of the CG Code stipulates that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. During the year under review, the Board approved a connected transaction (the "Transaction") for which a substantial shareholder of the Company and certain directors of the Company who were nominated by such substantial shareholder of the Company were regarded as having material interests therein by resolutions in writing passed by all directors of the Company (the "Directors") (except those who abstained from passing the written resolutions) in lieu of a physical board meeting in accordance with the articles of association of the Company (the "Articles"). It is considered that the adoption of written resolutions in lieu of a physical board meeting allowed the Board to make a decision in relation to the Transaction more efficiently in view of time constraints. Prior to the execution of the written resolutions, board papers regarding the Transaction were provided to all Directors in advance for their review and consideration, and all Directors had declared their interests in the matters (if any) in accordance with the Articles and applicable laws. The Directors who had material interests in the Transaction abstained from passing the written resolutions.

Further information of the Company's corporate governance practices will be set out in the Corporate Governance Report of the Company's 2018 Annual Report which will be sent to the Shareholders on or about 11 April 2019.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2018.

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 2018 will be despatched to the Shareholders on or about 11 April 2019 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. Our sustainable and stable development could not be achieved without their unreserved support.

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

Hong Kong, 20 March 2019

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

Executive Directors:	*Non-executive Directors:*	*Independent non-executive Directors:*
Mr. LI Ming	Mr. ZHAO Lijun	Mr. HAN Xiaojing
Mr. WEN Haicheng	Mr. FU Fei	Mr. SUEN Man Tak
Mr. SUM Pui Ying	Mr. FANG Jun	Mr. WANG Zhifeng
	Ms. LI Liling	Mr. JIN Qingjun
		Ms. LAM Sin Lai Judy