



SINO-OCEAN

遠洋集團控股有限公司

SINO-OCEAN GROUP HOLDING LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 03377



遠洋集團



奋斗者大成 远见者远行

ABOUT SINO-OCEAN

遠洋集團控股有限公司
SINO-OCEAN GROUP HOLDING LIMITED

Sino-Ocean Group Holding Limited ("Sino-Ocean Group") was founded in 1993 and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 September 2007 (stock code: 03377). As at 31 December 2017, Sino-Ocean Group had a total issued number of shares of approximately 7,500 million, whose major shareholders include China Life Insurance Company Limited (02628.HK) and Anbang Insurance Group Co. Ltd.

Sino-Ocean Group has been selected as a constituent of Hang Seng Composite Index (HSCI), Hang Seng Composite Industry Indexes — Properties and Construction Index, Hang Seng China (Hong Kong-listed) 100 Index, Hang Seng Composite Size Indexes — Mid-Cap Index, Hang Seng Global Composite Index, Hang Seng Mainland Properties Index, Hang Seng High Dividend Yield Index and Hang Sang Corporate Sustainability Benchmark Index.























Sino-Ocean Group prides itself on striving to “create quality living environments for mid- to high-end urban citizens and high-end business clients”. We aim to build upon our proven track records in real estate development and grow into a leading group that excels in sector investments. Our scope of business includes mid- to high-end residential property development, investment and operation of urban property complexes and offices, property services, senior living, logistic properties, long-term rental apartment, real estate funds, equity investments, asset management and overseas investments.

Sino-Ocean Group currently owns more than 130 projects in different stages in rapidly growing Chinese cities and metropolitan regions, such as Beijing, Tianjin and Shijiazhuang in the Beijing-Tianjin-Hebei Region, Shanghai, Hangzhou, Nanjing and Suzhou in Yangtze River Delta Region, Wuhan, Hefei and Changsha in Yangtze Mid-stream Region, Shenzhen, Guangzhou, Zhongshan and Hong Kong in Pearl River Delta Region, Chongqing and Chengdu in Chengdu-Chongqing Region, and other major core cities. As at 31 December 2017, we had a land reserve of approximately 34 million sq.m..

“Sino-Ocean” is a brand name with nationwide reputation as a provider of consistent quality products and professional services.

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Sino-Ocean
Real Estate



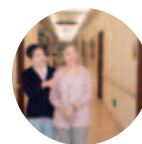
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Sino-Ocean
Commercial Property



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Sino-Ocean
Service



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Capital



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Sino-Ocean
Construction





FINANCIAL & OPERATION HIGHLIGHTS

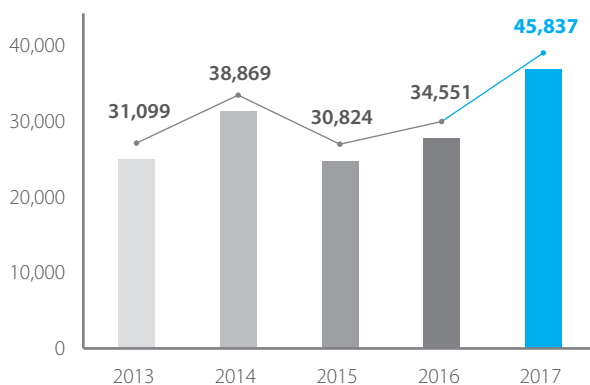
| Financial Highlights (RMB million) | 2017 | 2016 | Change (%) |
|--|---------|---------|------------|
| Contracted Sales | 70,560 | 50,380 | 40% |
| Revenue | 45,837 | 34,551 | 33% |
| Gross profit | 11,239 | 7,636 | 47% |
| Profit for the year | 6,259 | 4,446 | 41% |
| Profit attributable to owners of the Company | 5,115 | 3,812 | 34% |
| Core profit | 4,022 | 2,666 | 51% |
| Total assets | 191,894 | 151,265 | 27% |
| Equity attributable to owners of the Company | 48,502 | 43,999 | 10% |
| Cash resources ¹ | 24,766 | 22,341 | 11% |
| Financial Information per share | | | |
| Earnings per share (RMB) | | | |
| — Basic | 0.680 | 0.493 | 38% |
| — Diluted | 0.678 | 0.493 | 38% |
| Dividend per share (HKD) | 0.322 | 0.199 | 62% |
| Financial Ratios | | | |
| Gross profit margin (%) | 25% | 22% | 3pts |
| Core profit margin (%) | 9% | 8% | 1pt |
| Net profit margin (%) | 14% | 13% | 1pt |
| Net gearing ratio (%) ² | 62% | 44% | 18pts |
| Dividend payout ratio (%) | 40% | 34% | 6pts |
| Current ratio (times) | 1.8 | 1.7 | 6% |

Notes:

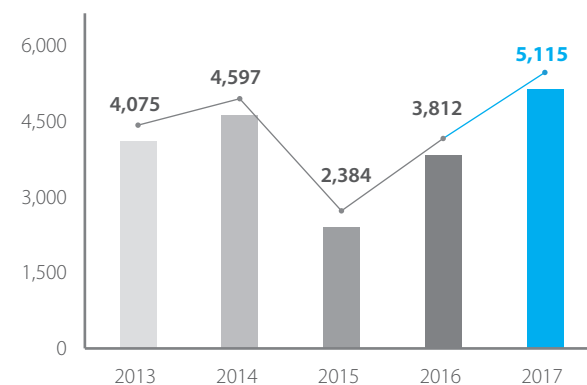
1 Including the restricted bank deposits

2 Total borrowings minus cash resources divided by total equity

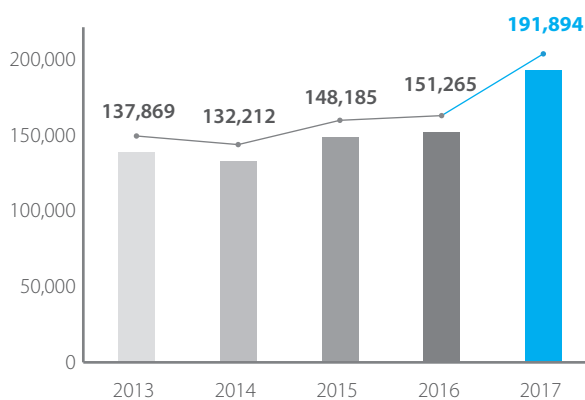
Revenue
(RMB million)



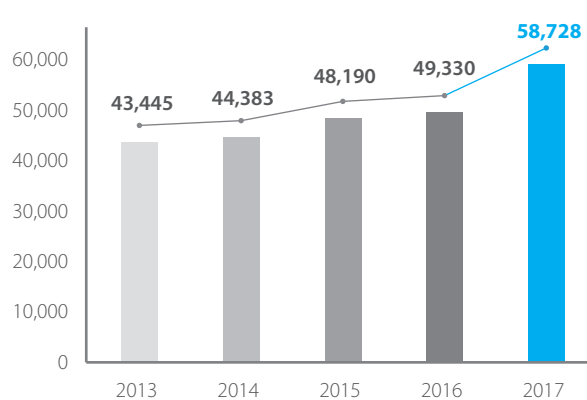
Profit attributable to owners of the Company
(RMB million)



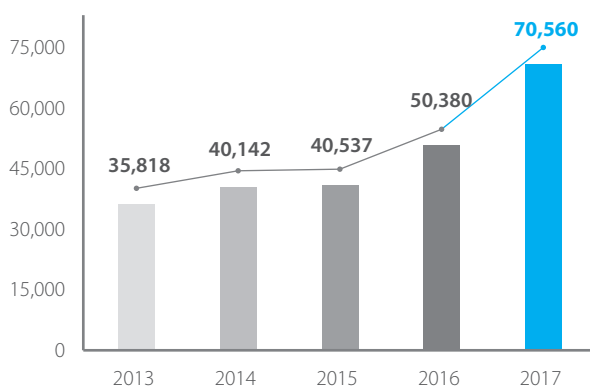
Total assets
(RMB million)



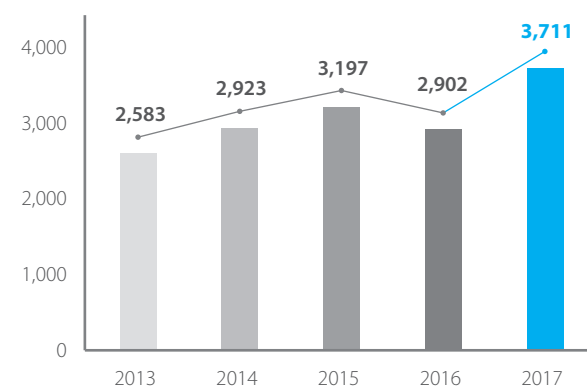
Total equity
(RMB million)



Contracted sales
(RMB million)



Saleable GFA sold
('000 sq.m.)



CHAIRMAN'S STATEMENT

On behalf of our board of directors ("the Board"), I have the pleasure in presenting the results of Sino-Ocean Group Holding Limited ("our Company", or "the Company") and its subsidiaries (together referred to as "Sino-Ocean Group", "our Group", "the Group" or "We") for the twelve months ended 31 December 2017.

RESULT OF 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 of Directors is pleased to propose a final dividend of HKD0.155 per share for the year ended 31 December 2017. Together with the interim dividend of HKD0.167 per share, total dividend per share for 2017 was HKD0.322 (2016: HKD0.199), representing a dividend payment ratio of 40% (2016: 34%). The payment of the 2017 final dividend would be subjected to shareholders' approval at the Company's annual general meeting (the "AGM").

2017 BUSINESS REVIEW

It was the 10th anniversary of the Group's listing in Hong Kong in 2017. It was also the year in which the Group expedited its fourth phase of strategic development. Faced with stringent market control measures and vigorous changes in the industry, our Group implemented our various tasks with a view to 'optimizing management, creating values, raising efficiency and accelerating performance', thus achieved remarkable breakthroughs and accelerated progress in various businesses.

🎯 Achieving breakthroughs in principal business, development in investments accrued capabilities

In 2017, the Group's principal business recorded important breakthroughs in scale, efficiency and professionalism. Contracted sales in the entire Group exceeded RMB70 billion for the first time, a 40% growth year-on-year ("YoY") and a record high. Over 80% was from the core city clusters of Beijing-Tianjin-Hebei, the Yangtze River Delta, the Pearl River Delta and Yangtze Mid-stream. This is an indication of the Group's strategic planning efficiency of penetrating state-class city clusters. Revenue in 2017 broke through RMB45 billion for the first time, up by 33% YoY, net profit attributable to the owners of the Company exceeded RMB5.0 billion, an increase of about 34% YoY, demonstrating a continuous rise in both volume and return.

In 2017 the Group was resolute in the deep cultivation of major city clusters. We raised the investment volume and replenished over 15 million sq.m. of land bank with a total value exceeding RMB260 billion, by entering 14 new cities primarily located in the core city clusters of Beijing-Tianjin-Hebei, the Yangtze River Delta, the Pearl River Delta, the Yangtze Mid-stream and Chengdu-Chongqing. Based on sound judgment of the land market and firm investment criteria the Group opted to make sensible advancements in the second half of the year. We acquired high quality land in Beijing, Suzhou, Xiamen and Zhongshan at low cost thus provided ample allowance for market control measures and cyclical fluctuations at a later date. We adopted innovative investment modes, consolidated resources and worked with all co-operating parties to encourage progress of projects. We newly acquired over 20 co-development projects and keep our eyes on other acquisition channels such as foreclosures. Among the new projects acquired in 2017, over 70% were by mergers and acquisitions and thus reduced land cost effectively.

◎ Innovative and diversified financing channels, robust and stable management of finance

To meet the demands of rapidly expanding businesses, the Group actively looked for new financing channels. Amid stringent financial regulations in 2017, the Group successfully issued RMB4 billion medium-term notes, US\$600 million perpetual subordinated guaranteed capital securities and RMB1 billion corporate bonds. We also received an issuance limit of RMB10 billion for supply chain Asset-Backed Securities from the Shenzhen Stock Exchange and completed the initial issue of RMB400 million in December. These initiatives opened up new financing channels, reduced cost of funding and improved debt structure. As at the end of 2017, the Group's cash resources were over RMB24 billion, with net gearing ratio below 62% and composite cost of capital within 5.2%, demonstrating robust and stable management of finance.

◎ Implementing the concept of building health, product quality continuing to rise

Identifying building health as the product feature, the Group introduced WELL building standard nearly three years ago and currently 18 projects covering over 1.3 million sq.m. are WELL certified. These projects are located throughout the country including residences, office blocks, commercial buildings and senior living properties, among which Elite Palace (Guangzhou) was WELL MF registered gold-class. As representative projects such as Elite Palace in Guangzhou, Natural Masterpiece in Hangzhou, Grand Canal Miles Stone in Shenyang and Ocean Kunting in Tianjin flourished in 2017, the concept of health received higher recognition than ever both internally and externally, providing powerful support to our mission of 'creating a superb environment for mid to high-end city dwellers and high-end business clients'. The Group strived for uniform standards for product construction, nurtured professional capabilities, persevered in being "user focused", encouraged artisan spirit, established a product construction system based on positioning, planning, design, cost and engineering. As a result of quality management, the display efficiency of projects, product quality and satisfaction level on delivery of all the Group's projects continued to rise.

◎ Brand value continuing to rise, brand influence augmenting

Since the brand was invigorated in 2016, the Group continued to pursue the brand strategy in 2017 by upgrading its management. As a result, our diversified business with five focuses made a strong impression on the market and the concept of health received more recognition than ever both within the Company and in public, prove that our brand influence is gaining momentum all the time. To synchronize the promotion of the brand in its entirety and the brands of the various businesses, the Group built a three-tier brand management system to promote public awareness and influence of the Group brand 'Sino-Ocean Group' and business brands ('Sino-Ocean Land', 'Sino-Ocean Commercial Property', 'Sino-Ocean Service', 'Sino-Ocean Capital', 'Sino-Ocean Construction'). At the same time the Group remained customer-oriented by adopting a 'customer survey + datacasting monitor + industry rating' approach for brand value management and succeeded in placing the brand in the top 20 of the industry.

◎ Accelerating diversified businesses, new phase of matching investment and financing

While realizing enhanced economy of scale in 2017, the Group continued to raise investments in investment properties, real estate financing and customer services. Significant progress was made in development, scale and operating capabilities of various businesses and thus the matching of investment and financing as required in the fourth phase of strategic development was achieved.

As the scale, operating capabilities and profit margins of the investment properties enjoyed an upward trend across the board, this business segment was yielding a stable income. Currently properties in operation reached 110 million sq.m., up by 31% YoY, with a majority located in core cities such as Beijing, Shanghai, Tianjin, Hangzhou and Chengdu. A refined management system that the Group had established upgraded the operation of the investment properties and customer service capabilities. This succeeded in raising the overall core performance of properties under management. Revenue rose by about 10% YoY. As regards office space, the Group further strengthened co-operation with co-work space market leader WeWork, opening three joint-projects in Beijing and Shanghai in 2017. It is anticipated that there will be over 100 joint-projects before 2020. In addition, a self-owned commercial complex Grand Canal Place in Hangzhou was officially opened while sales volume and customer traffic in Sino-Ocean Taikoo Li (Chengdu), Ocean We-life Plaza (Beijing) and Ocean We-life Plaza (Tianjin) recorded notable growth.

As the community ecosystem and industry chain were in place, traditional property management services enjoyed outstanding progress in scale, service capabilities and innovative ability in 2017. The Group's subsidiary Ocean Homeplus Property Service Corporation Limited currently manages over 40 million sq.m. of residences, offices, shopping malls and commercial complexes in Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta. Customers' satisfaction level was record high since 2011 and the company ranked 15th among the top 100 service providers in China. The Group will continue to consolidate the various businesses in the ecosystem to drive up scale and capabilities through its synergy.

Operation of new services was refined and service capabilities were raised remarkably. Senior living business enjoyed notable growth and leasing business was launched. Senior Living L'Amore established a presence in Beijing, Tianjin, Dalian, Shanghai, Suzhou, Chengdu, Wuhan and Guangzhou, fulfilling the plan for major cities in five city clusters with four projects in operation providing nearly 1,000 beds and over 2,600 beds will be added. The first Continuing Life Retirement Community ("CLRC") project was completed during the year — Senior Living L'Amore (Shanghai Hongwan) was officially opened, comprising primarily Care Building ("CB") along with large-scale CLRC and Care Center ("CC"). Long-term rental brand Boonself succeeded in gaining a foothold on Qingnianlu and Jiuxianqiao in Beijing in 2017. Currently it has presence in Beijing, Dalian, Shanghai and Hangzhou and enjoys positive response.

AUM of real estate financing reached a new height of RMB65.1 billion, rising over 80% YoY. Real estate funds benefitted from the fact that investments on and financing from the Group's residential development and investment properties became more in sync. Over RMB10 billion investments were disposed of during the year and brought a profitable contribution. As regards equity investments, a multi-faceted investment platform was basically complete. Considerable progress was made in investments in big logistics, big real estate, big data, big health, big environmental protection and pan-financing. The rapid development of real estate financing propelled the Group to realizing the strategic dual driver "Business Operation and Capital Operation".

◎ Accentuating our synergy value, speeding up resource reserve

After three years of co-ordinated development of the Group's strategically planned diversified business, synergy and value gradually emerged. Residential development, investment property development, customer services business and real estate financing synchronized to acquire plots A and B in the Guiyuan Culture District in Hanyang of Wuhan City. The Group also signed a strategic corporation agreement with the authorities in Xi'an Lianhu District regarding the Central Park project, signifying the launch of an integrated urban service system.

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 Midstream 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 where the industry looks to develop.

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.

2018 MARKET OUTLOOK

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.

2018 COMPANY STRATEGIES

China's macro-economy in 2018 will continue to grow in high quality and stability. There will be more changes in the real estate market brought about by long-term mechanisms. In an ever-changing and competitive environment the Group will pursue the principle of 'striving and progressing' unwaveringly to accelerate development, intensify mechanisms and execute with conviction to ensure high quality and sustainable development in line with the set target and requirements of the fourth phase of strategic development.

① Strengthening strategic planning, accelerating growth in various businesses

The Group will grasp the challenges and opportunities presented by changes in policies and the industry to accelerate sustainable growth of our traditional principal business of residential development, raise performance across the board and continue to plan various strategic businesses in depth. For our traditional development business, the Group will continue to penetrate major city clusters and tier-two cities, adhere to investment criteria stringently, be innovative with investment modes, ensure investment scale and quality, and at the same time continue to improve cash flow management, speed up the turnaround time of projects, boost sale capabilities and systems, rejuvenate inefficient assets and increase scale without losing quality. As regards the investment property business, we will enhance performance by re-aligning assets in hand and raising operating capabilities. We will firmly remain customer-focused in our traditional property services to ensure high service quality and customer loyalty, and at the same time speed up growth in both scale and revenue. As regards real estate financing, we will adapt to policy changes, raise capital efficiency and match risks, scale and effectiveness as much as possible. To follow the trend of diversification, the Group will treat senior living, long-term rental apartment, logistics, artificial intelligence and big data as new strategic businesses and perfect various business models and profit models in order to achieve significant growth in scale from these new businesses in 2018.

② Intensifying management mechanisms, ensuring performance

The Group will intensify the management mechanisms, encourage all business departments to move from being revenue centers, cost centers and profit centers to an operating unit, to be more independent, to seek and re-allocate resources proactively, and be responsible for performance indicators and line management. The Group's headquarters will reinforce strategic control, provide professional counseling, optimize synergy among various business departments, businesses, internally and externally, to fully realize the value of resources to support rapid growth. We will also make bold attempts in human resources, set precise incentives to motivate a fighting spirit. All these mechanisms are aimed at ensuring the rapid growth of our principal residential development business and various strategic businesses.

③ Focusing on users, rolling out health contents in all products

The Group will continue to promote the idea of 'build • healthy' based on WELL standard. By incorporating 'health' in all aspects of products and services in all stages from investment, design, materials, to construction and property management, health will be an integral part of our label and image. We will advocate for uniform standards for construction and artisan spirit, protect our products' competitive edge and customer loyalty. We will uphold the 'user-focused' principle in traditional property services, real estate property, senior living and long-term rental apartment businesses. We will raise our overall service capabilities and customer satisfaction through consolidation of resources and refined management.

④ Implementing all measures fastidiously for mandatory execution

The Group will implement all management measures on the operation of various businesses. Firstly, the entire planning and operating duration of a project will be used as an effective management tool. Appraisal and incentive will be based on the project's entire lifecycle unwaveringly to focus on facts and raise execution capabilities. Secondly, financial resource efficiency will be advanced through effective financial analysis and higher efficiency on financing, application and management. Thirdly, our brand value, in particular the health concept, will be resolutely promoted so that health becomes Sino-Ocean's core competitiveness. Fourthly, risk management in all areas will be reinforced, IT system throughout the Group will be upgraded to ensure efficient and robust operation. The Group's strategic development will be realized through fastidious implementation of the above measures and strengthened execution prowess.

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.

LI Ming
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

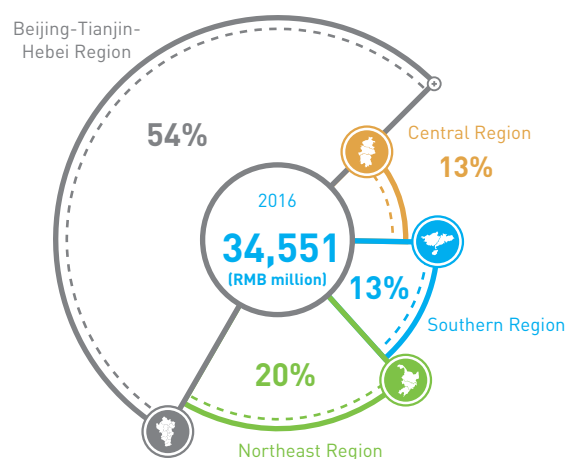
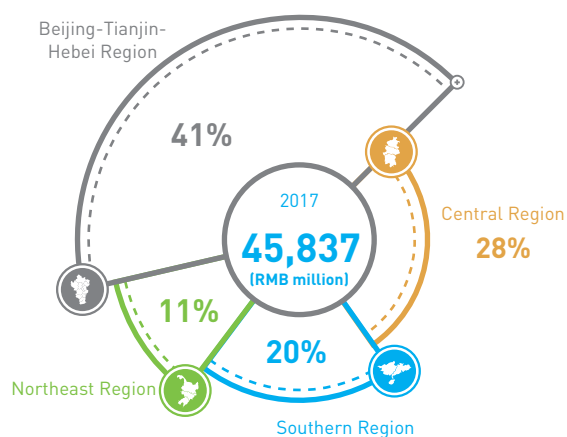
Upon completion of our re-branding in 2017, Sino-Ocean has become a group with its base in real estate development and developed related diversified business. We have secured a leading position in major tier-one and tier-two cities including Beijing, Tianjin, Dalian, Shanghai, Hangzhou, Shenzhen and Guangzhou. The Group will continue to stay focused on acquiring quality projects.

The Group's contracted sales amount for the year 2017 (including our joint ventures and associates) reached a record high of RMB70,560 million (2016: RMB50,380 million) with total saleable GFA sold of approximately 3,711,000 sq.m. (2016: 2,902,000 sq.m.). We recorded an increase in revenue of RMB11,286 million, or 33%, to RMB45,837 million (2016: RMB34,551 million). The profit attributable to owners of the Company significantly increased to RMB5,115 million (2016: RMB3,812 million), an increase of 34% as compared to 2016. Basic earnings per share increased accordingly by 38% to RMB0.680 (2016: RMB0.493).

The components of the revenue are analyzed as follows:

| (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% |

Revenue contributions by geographical locations are analyzed below:



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. 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%). We will persistently maintain a balanced project portfolio for mitigating the risk from single market fluctuations and enabling more effective usage of resources, which allow the Group to stay focused on our future development plan.

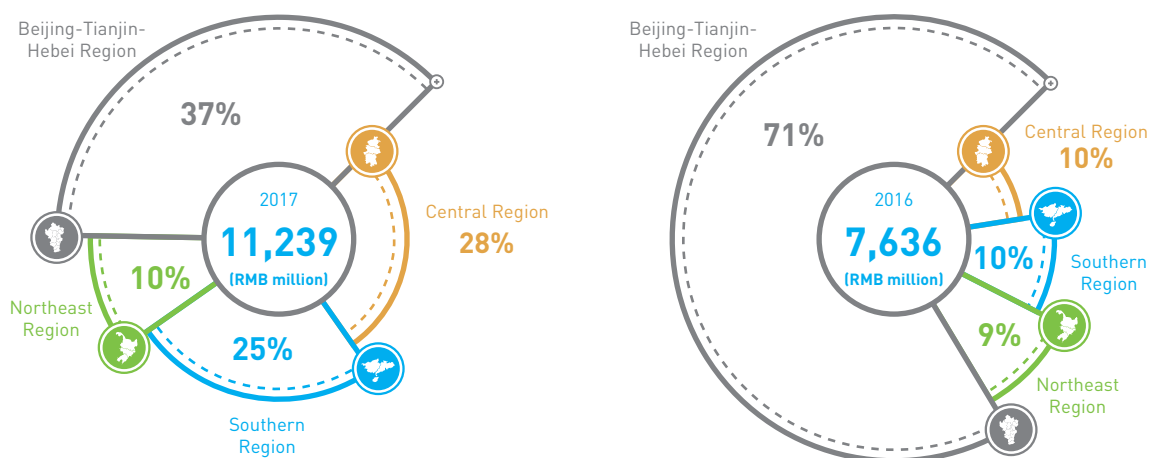
COST OF SALES

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 by geographical locations is analyzed below:



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 gains (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

During 2017, we continued to refine our funding structure, liquidity and credit policies to minimize our risk exposure under the everchanging financial market and global economic environment. With overwhelming support from investors, we successfully issued mid-term note of RMB4 billion in March 2017 and perpetual subordinated guaranteed capital security of USD600 million in September 2017. The Group tapped the funding opportunities in advance at a lower cost, we recorded an increase in total borrowings from RMB43,810 million to RMB61,032 million as at the year end of 2017, of which 61% of the Group's borrowings were denominated in Renminbi. The remaining borrowings were denominated in other currencies, such as HKD and USD. Approximately 69% of the Group's borrowings were made at fixed interest rate.

As at 31 December 2017, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB24,766 million, representing an increase of 11% compare with 2016 (2016: RMB22,341 million), of which 85% (2016: 84%) of the Group's cash resources were denominated in Renminbi with the remaining balances denominated in other currencies, and a current ratio of 1.8 times. Together with unutilized credit facilities of about RMB147,141 million, the Group is financially sound. We have ample financial resources and an adaptable financial management policy to meet our business expansion in the coming years.

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%). Given that the Group still has cash resources of RMB24,766 million, we are satisfied with our current gearing position. Nevertheless, we expect the net gearing ratio to remain relatively stable in 2018 in order to maintain the Group's overall financial healthiness.

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% |

FINANCIAL GUARANTEES AND CHARGE ON ASSETS

As at 31 December 2017, the value of the guarantees provided by the Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB10,552 million (2016: RMB8,056 million).

In 2017, the Group had pledged some of the properties under development, completed properties held for sale, investment properties, trade and other receivables, etc. to secure short-term bank loans (including the current portion of long-term borrowings) of RMB75 million (2016: RMB180 million) and long-term bank loans of RMB2,335 million (2016: RMB775 million). As at 31 December 2017, total pledged assets accounted for approximately 12% of the total assets of the Group (2016: 7%).

CAPITAL COMMITMENTS

The Group entered into certain agreements in respect of land acquisition and property development. As at 31 December 2017, the Group had a total capital commitment of RMB5,884 million (2016: RMB3,333 million).

CONTINGENT LIABILITIES

In line with the prevailing commercial practice in the Mainland China, the Group provides guarantees for mortgages extended to property buyers before completion of their mortgage registration. As at 31 December 2017, the total amount of the aforesaid guarantees provided by the Group was RMB10,552 million (2016: RMB8,056 million). In the past, the Group had not incurred any material loss from providing such guarantees, as the guarantees were given as a transitional arrangement that would be terminated upon the completion of the mortgage registration and were secured by the buyers' properties.

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 RMB17,300 per sq.m. (2016: RMB14,300 per sq.m.).

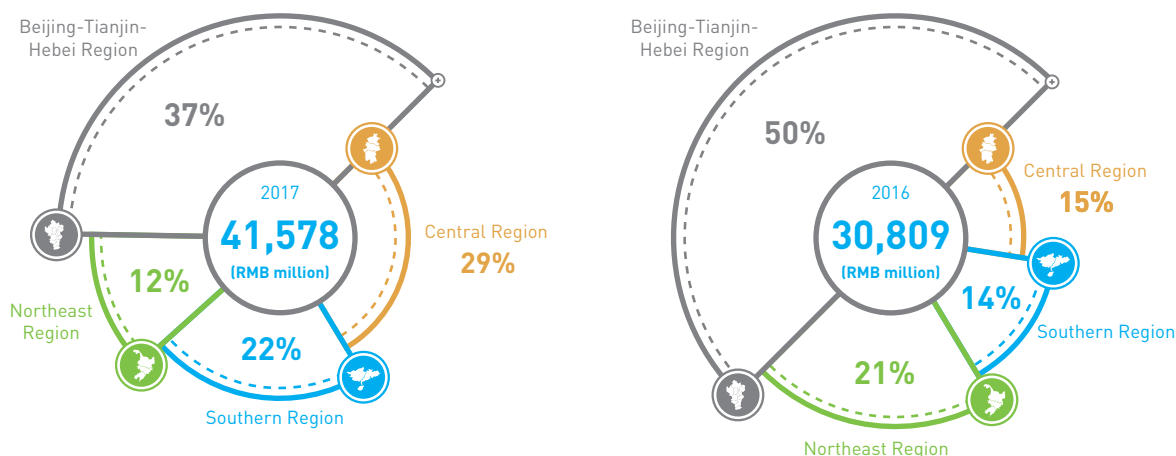
Revenue and saleable GFA delivered from each project during 2017 are set out as follows:

| 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% |
| | | Our New World | 849 | 36,000 | 23,600 | 100.00% |
| | Tianjin | 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% |
| | Nanjing | Ocean International Center | 586 | 17,800 | 32,900 | 100.00% |
| | Qingdao | Ocean Melody | 781 | 86,500 | 9,000 | 100.00% |
| | Wuhan | Hejiadun Project | 3,194 | 245,700 | 13,000 | 61.00% |
| | | 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% |
| | Guangzhou | Elite Palace | 2,527 | 76,000 | 33,300 | 100.00% |
| | Zhongshan | 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 | |

During 2017, Beijing remained the largest contributor which accounted for 24% of total revenue from property development (2016: 41%). Meanwhile, contributions from cities including Dalian, Tianjin, Wuhan, Hangzhou and Shenzhen, accounted for 48% (2016: 30%) of revenue from property development during the year.

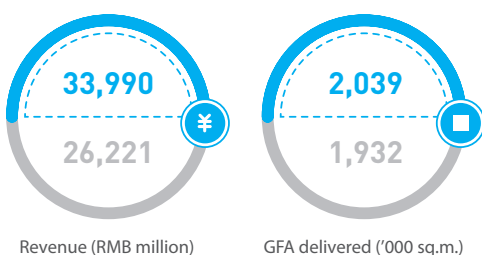
Revenue from property development by geographical locations are analyzed below:



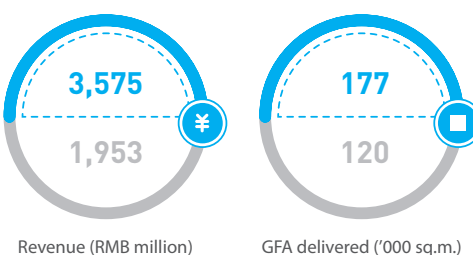
In terms of property types, residential properties (including villa) continued to contribute the largest portion of property development revenue, accounting for 82% in 2017 (2016: 85%). The average selling price recognized for the revenue from residential properties (including villa) in 2017 was approximately RMB16,700 per sq.m. (2016: RMB13,600 per sq.m.) while corresponding total saleable GFA delivered increased by 6% from approximately 1,932,000 sq.m. in 2016 to approximately 2,039,000 sq.m. in 2017.

Revenue from property development in terms of property types are analyzed below:

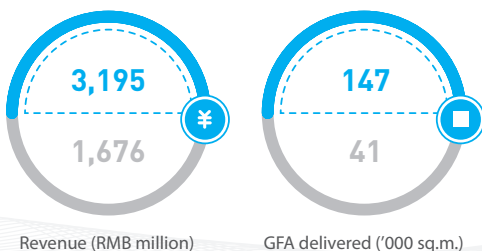
Residential and villa



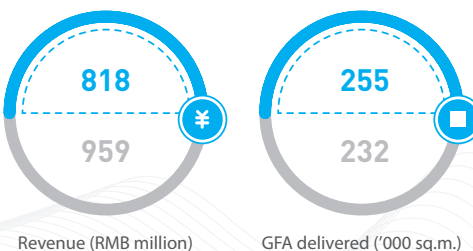
Office premises



Retail space



Car parks



● 2017 ○ 2016

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 | |

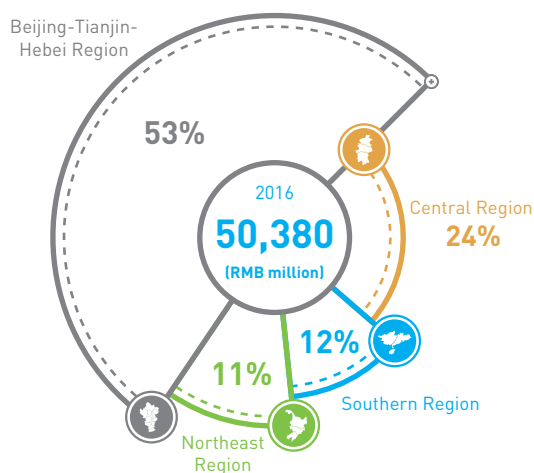
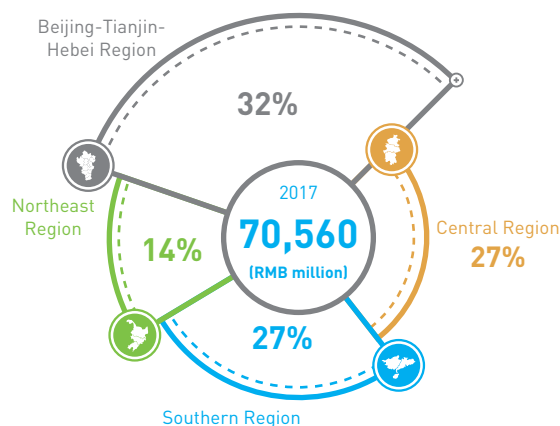
| Region | Cities | Projects | Contracted sales amount (RMB million) | Saleable GFA Sold (sq.m.) | Average selling price (RMB/sq.m.) | Interest attributable to the Group (%) |
|------------------|-----------|-------------------------------|--|------------------------------|--------------------------------------|---|
| 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 | |

| Region | Cities | Projects | Contracted sales amount (RMB million) | Saleable GFA Sold (sq.m.) | Average selling price (RMB/sq.m.) | Interest attributable to the Group (%) |
|-----------------|-----------|--------------------------------------|--|------------------------------|--------------------------------------|---|
| 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 | 100.00% |
| | 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 | |
| Subtotal | | | 67,021 | 3,230,600 | 20,700 | |

| Region | Cities | Projects | Contracted sales amount (RMB million) | Saleable GFA Sold (sq.m.) | Average selling price (RMB/sq.m.) | Interest attributable to the Group (%) |
|-----------------------------------|--------|----------|--|---------------------------------|---|---|
| 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 | |

In terms of geographical distribution, there were over 70 projects available for sale during 2017 (2016: over 60 projects). Contracted sales from first and second-tier cities accounted for over 90% (2016: over 90%). As at 31 December 2017, the Group's unbooked contracted sales to be recognized amounted to RMB65,000 million, providing a strong and solid foundation for the Group's future revenue growth.

Contracted sales amounts by geographical locations are analyzed below:

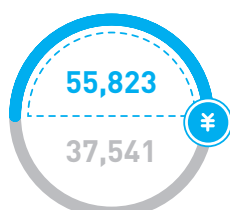


In terms of property types, residential properties (including villa) continued to contribute the largest portion of contracted sales amount and accounted for 79% in 2017 (2016: 75%). The average selling price for residential properties (including villa) in 2017 was approximately RMB20,300 per sq.m. (2016: about RMB16,900 per sq.m.) while the total GFA sold for residential use increased by 23% from approximately 2,226,000 sq.m. in 2016 to approximately 2,748,000 sq.m. in 2017.

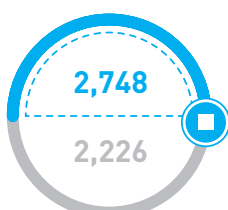
Contracted sales amount in terms of property types are analyzed below:



Residential and villa



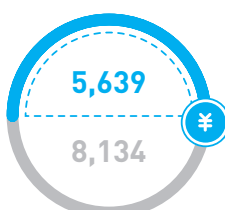
Revenue (RMB million)



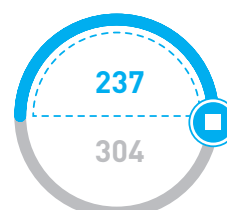
GFA delivered ('000 sq.m.)



Office premises



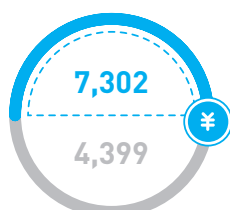
Revenue (RMB million)



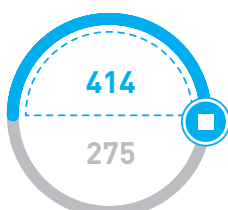
GFA delivered ('000 sq.m.)



Retail space



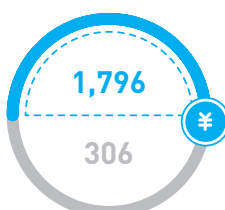
Revenue (RMB million)



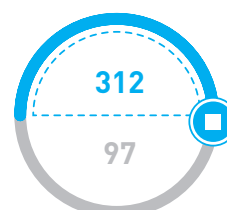
GFA delivered ('000 sq.m.)



Car parks



Revenue (RMB million)



GFA delivered ('000 sq.m.)

● 2017 ○ 2016

◎ Construction Progress and Developing Projects

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. We will maintain our construction scale in order to have enough GFA available for sale and for delivery to support our growth in 2018.

The details of construction progress and development progress are set out below:

| Region | Cities | Projects | GFA completed in 2017 (sq.m.) | Targeted GFA to be completed in 2018 (sq.m.) |
|------------------------------|-----------|------------------------------------|-------------------------------|--|
| Beijing-Tianjin-Hebei Region | Beijing | CBD Plot Z13 | – | 162,400 |
| | | Eternal Scenery | – | 43,300 |
| | | Jasper Epoch | – | 100,700 |
| | | Jialihua Project, Shunyi District | 84,100 | 187,000 |
| | | Ocean Epoch | 71,800 | 187,900 |
| | | Ocean Metropolis | 81,900 | – |
| | | Ocean Palace | 4,500 | – |
| | | Our New World | 108,600 | 800 |
| | | Xiji Plot C, Tongzhou District | – | 170,700 |
| | | Yizhuang Motor Tower Project | – | 66,900 |
| | Tianjin | Haihe Jiaoyuyuan Plot 13 | – | 78,600 |
| | | Ocean Chanson | 204,100 | – |
| | | Ocean City | 121,100 | 467,700 |
| | | Ocean Inside | 163,300 | 18,900 |
| | | Ocean International Center | 161,600 | – |
| | | Royal River | 106,700 | – |
| | | Yixingbu Project, Beichen District | – | 285,300 |
| Northeast Region | Dalian | Ocean Diamond Bay | 262,100 | – |
| | | The Place of Glory | 149,700 | 197,200 |
| | Shenyang | Grand Canal Milestone | – | 203,300 |
| | Changchun | Ocean Cannes Town | 155,100 | 66,800 |

| Region | Cities | Projects | GFA completed in 2017 (sq.m.) | Targeted GFA to be completed in 2018 (sq.m.) |
|-----------------|-----------|---|-------------------------------|--|
| Central Region | Shanghai | Chongming Dongtan Project | 53,500 | – |
| | | Ocean Melody | 115,400 | 109,900 |
| | Hangzhou | Canal Business Center Project | 170,500 | 99,800 |
| | | Chongxian C-7 Plot, Yuhang District | – | 117,600 |
| | | Natural Masterpiece | – | 149,500 |
| | | Ocean Melody | 57,300 | – |
| | | Seasons Countyard | – | 126,800 |
| | Nanjing | Sino-Ocean Land Greenland Premier Court | 69,800 | – |
| | | | | |
| | Wuhan | Hejiadun Project | 258,800 | 251,300 |
| | | Ocean World | 178,100 | – |
| | Nanchang | Sino-Ocean Elite Mansion | – | 82,000 |
| | | | | |
| Southern Region | Shenzhen | Ocean Express | 176,000 | – |
| | | Ocean Metropolis | – | 82,900 |
| | Guangzhou | Elite Palace | 74,100 | 234,600 |
| | | Hibiscus Villa | – | 33,600 |
| | Zhongshan | Blossoms Valley | – | 78,900 |
| | | Ocean Emerald | 259,700 | – |
| | | Ocean Prospect | – | 88,900 |
| | Haikou | Ocean Zen House | – | 274,700 |
| | | | | |
| | Chengdu | Ocean Crown | – | 68,900 |
| | | | | |
| Total | | | 3,087,800 | 4,036,900 |

Landbank

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).

Details of the newly acquired land plots during 2017 are set out as follows:

| Cities | Projects | Total GFA acquired ('000 sq.m.) | GFA attributable to the Group ('000 sq.m.) | Interest attributable to the Group (%) |
|-----------------|---|---------------------------------------|---|---|
| Landbank | | | | |
| Beijing | Grand Harmory Emerald Residence | 224 | 90 | 40.00% |
| Beijing | Jasper Epoch | 92 | 45 | 49.00% |
| Beijing | Huangcun 0901 Plot, Daxing District | 118 | 30 | 25.00% |
| Beijing | Liangxiang Project | 126 | 14 | 11.10% |
| Beijing | Mentougou Tanzhe Temple Project | 430 | 43 | 10.00% |
| Beijing | Wulituo Plot, Shijingshan District | 595 | 125 | 21.00% |
| Beijing | Xiji D Project, Tongzhou District | 128 | 13 | 10.00% |
| Beijing | Yizhuang EDA Plot G2R1 | 300 | 150 | 50.00% |
| Tianjin | Autoworld | 504 | 252 | 50.00% |
| Tianjin | Binhai Hongze Zhizao Project | 35 | 35 | 100.00% |
| Tianjin | Binhai New Area Eco-Town Plot 5 | 185 | 56 | 30.00% |
| Tianjin | Ocean Kunting | 675 | 231 | 34.28% |
| Tianjin | The Great Habitat Mansion House | 562 | 337 | 60.00% |
| Shijiazhuang | Chang'an District Plot 015 | 228 | 116 | 51.00% |
| Shijiazhuang | Chang'an District Redevelopment Project | 363 | 109 | 30.00% |
| Shijiazhuang | Sino Ocean No. 7 | 115 | 23 | 20.00% |
| Zhangjiakou | Centrality Mansion | 203 | 122 | 60.00% |
| Langfang | Nianziying Project | 1,897 | 967 | 51.00% |
| Dalian | Jinma Project | 77 | 8 | 10.00% |
| Shenyang | Yuqin Biyuan Project | 212 | 106 | 50.00% |
| Changchun | Orient Palace | 73 | 15 | 20.00% |

| Cities | Projects | Total GFA acquired (’000 sq.m.) | GFA attributable to the Group (’000 sq.m.) | Interest attributable to the Group (%) |
|-----------|--|---------------------------------------|---|---|
| Shanghai | Wellness Masterpiece | 49 | 25 | 50.00% |
| Hangzhou | Chongxian B-6 Plot, Yuhang District | 111 | 54 | 49.00% |
| Hangzhou | Chongxian C-7 Plot, Yuhang District | 107 | 55 | 51.00% |
| Hangzhou | Hangyang Project | 109 | 22 | 20.00% |
| Hangzhou | Seasons Courtyard | 129 | 65 | 50.00% |
| Hangzhou | Sion-Ocean Native Place | 68 | 68 | 100.00% |
| Nanjing | Ocean Landscape | 147 | 103 | 70.00% |
| Qingdao | Xingzhengyuan Project, Jiaozhou | 333 | 50 | 15.00% |
| Wuhan | Gaoxiong Road Project | 10 | 10 | 100.00% |
| Wuhan | Oriental World View | 1,880 | 197 | 10.50% |
| Suzhou | Fenhu Plot 006 | 113 | 38 | 34.00% |
| Suzhou | Ocean Melody | 105 | 36 | 34.00% |
| Suzhou | Shihu Project | 49 | 34 | 68.75% |
| Hefei | Matropolitan 1907 | 322 | 81 | 25.00% |
| Changsha | Bund No.1 | 134 | 38 | 28.45% |
| Changsha | Yajun Project | 422 | 42 | 10.00% |
| Nanchang | Sino-Ocean Elite Mansion | 106 | 21 | 20.00% |
| Nanchang | Wanli 178 Project | 173 | 88 | 51.00% |
| Jiaxing | Jiaxing Project | 96 | 91 | 95.00% |
| Taiyuan | Shengjian Project, Xiaodian District | 45 | 45 | 100.00% |
| Wuxi | Haoshi Project | 63 | 25 | 40.00% |
| Wuxi | Yuqin Project | 116 | 46 | 40.00% |
| Zhengzhou | 107 Road Project, Longhu Town | 169 | 101 | 60.00% |
| Shenzhen | Longhua District De Ai Industrial Park | 533 | 426 | 80.00% |
| Guangzhou | Hibiscus Villa | 179 | 91 | 51.00% |
| Zhongshan | Blossoms Valley | 1,172 | 879 | 75.00% |
| Zhongshan | King Realm | 181 | 45 | 25.00% |
| Zhongshan | Ocean Longshire | 96 | 77 | 80.00% |
| Zhongshan | Suixicun Project, Nantou | 107 | 107 | 100.00% |
| Zhongshan | Wuguishan Longtangcun Project | 187 | 94 | 50.00% |
| Sanya | Hongtang Bay Project | 561 | 281 | 50.00% |

| Cities | Projects | Total GFA acquired ('000 sq.m.) | GFA attributable to the Group ('000 sq.m.) | Interest attributable to the Group (%) |
|-------------------------|---|---------------------------------|--|--|
| Chengdu | Longquan Sunshine Town Project | 322 | 161 | 50.00% |
| Chengdu | Ocean Crown | 99 | 59 | 60.00% |
| Chengdu | Xipu Project | 139 | 70 | 50.00% |
| Xiamen | Plot 2017XP02, Xiang'an District | 52 | 26 | 50.00% |
| Xiamen | Plot 2017XP03, Xiang'an District | 75 | 38 | 50.00% |
| Kunming | Chenggong Project | 222 | 155 | 70.00% |
| Foshan | Sanshui Project | 207 | 104 | 50.00% |
| Sub-total | | 16,129 | 6,835 | |
| Matured Projects | | | | |
| Beijing | Diamond Plaza | 23 | 12 | 50.00% |
| Beijing | Silicon Valley Bright Center, Building #4 | 9 | 5 | 50.00% |
| Shenyang | Bailibao Plaza | 56 | 28 | 50.00% |
| Shanghai | Danling International Plaza | 38 | 19 | 50.00% |
| Shanghai | Haixing Plaza | 15 | 8 | 50.00% |
| Chengdu | Huamin Empire Plaza | 66 | 33 | 50.00% |
| USA | San Francisco Project | 7 | 7 | 100.00% |
| Sub-total | | 214 | 112 | |
| Total | | 16,343 | 6,947 | |

The landbank by stages of development as at 31 December 2017 are set out as follows:

| | Approximate total GFA ('000 sq.m.) | Approximate total saleable GFA ('000 sq.m.) | Remaining landbank ('000 sq.m.) |
|--|------------------------------------|---|---------------------------------|
| Completed properties held for sales | 20,610 | 16,098 | 6,173 |
| Properties under development | 14,587 | 11,079 | 14,587 |
| Properties held for future development | 13,328 | 10,680 | 13,328 |
| Total | 48,525 | 37,857 | 34,088 |

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

| Region | Cities | Projects | District | 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 | 241 | 185 | 241 | 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 | 482 | 50.00% |
| | | Grand Harmony Emerald Residence | Daxing District, Beijing | 224 | 165 | 224 | 40.00% |
| | | Jasper Epoch | Daxing District, Beijing | 92 | 78 | 92 | 49.00% |
| | | Huangcun 0901 Plot, Daxing District | Daxing District, Beijing | 118 | 99 | 118 | 25.00% |
| | | 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 | Miyun District, Beijing | 430 | 344 | 430 | 10.00% |
| | | Mizhiyun Project | Mentougou District, Beijing | 80 | 71 | 40 | 90.00% |
| | | Ocean Epoch | Shijingshan District, Beijing | 264 | 198 | 218 | 100.00% |
| | | Ocean LA VIE | Chaoyang District, Beijing | 318 | 305 | 97 | 85.72% |
| | | Ocean Melody | Chaoyang District, Beijing | 55 | 50 | 8 | 100.00% |
| | | Ocean Metropolis | Mentougou District, Beijing | 330 | 276 | 226 | 75.00% |
| | | Ocean Palace | Daxing District, Beijing | 436 | 383 | 95 | 100.00% |
| | | Our New World | Fangshan District, Beijing | 109 | 91 | 66 | 100.00% |
| | | Plot 6002, Mentougou, New Town | Mentougou District, Beijing | 125 | 97 | 125 | 21.00% |
| | | Sino-Ocean Shin Kong Project | Tongzhou District, Beijing | 479 | 334 | 479 | 50.00% |
| | | Wulituo Plot, Shijingshan District | Shijingshan District, Beijing | 595 | 458 | 595 | 21.00% |
| | | Xiji Plot C, Tongzhou District | Tongzhou District, Beijing | 221 | 170 | 109 | 30.00% |
| | | Xiji D Project, Tongzhou District | Tongzhou District, Beijing | 128 | 113 | 128 | 10.00% |
| | | Yizhuang EDA Plot G2R1 | Daxing District, Beijing | 300 | 207 | 300 | 50.00% |
| | | Yizhuang Motor Tower Project | Daxing District, Beijing | 67 | 40 | 67 | 100.00% |
| | | | | 6,435 | 5,042 | 5,476 | |

| Region | Cities | Projects | District | Approximate total GFA ('000 sq.m.) | Approximate total salesable GFA ('000 sq.m.) | Remaining Landbank ('000 sq.m.) | Interest attributable to the Group (%) |
|--------|--------------|---|---------------------------------|------------------------------------|--|---------------------------------|--|
| | Tianjin | Autoworld | Wuqing District, Tianjin | 504 | 317 | 504 | 50.00% |
| | | Binhai Hongze Zhizao Project | Binhai New Area, Tianjin | 35 | 25 | 35 | 100.00% |
| | | Binhai New Area Eco-Town Plot 5 | Binhai New Area, Tianjin | 185 | 135 | 185 | 30.00% |
| | | Haihe Jiaoyuyuan Plot 13 | Jinnan District, Tianjin | 227 | 171 | 227 | 33.00% |
| | | Haihe Jiaoyuyuan Plot 14 | Jinnan District, Tianjin | 285 | 194 | 285 | 25.00% |
| | | Ocean Chanson | Wuqing District, Tianjin | 204 | 199 | 51 | 100.00% |
| | | Ocean City | Binhai New Area, Tianjin | 2,137 | 1,683 | 493 | 100.00% |
| | | Ocean Express | Dongli District, Tianjin | 335 | 288 | 6 | 100.00% |
| | | Ocean Great Harmony | Xiqing District, Tianjin | 350 | 290 | 50 | 100.00% |
| | | Ocean Inside | Binhai New Area, Tianjin | 183 | 176 | 56 | 60.00% |
| | | Ocean International Center | Hedong District, Tianjin | 321 | 200 | 100 | 100.00% |
| | | Ocean Kunting | Binhai New Area, Tianjin | 675 | 488 | 675 | 34.28% |
| | | Ocean Prospect | Dongli District, Tianjin | 321 | 309 | 53 | 100.00% |
| | | Royal River | Wuqing District, Tianjin | 349 | 333 | 161 | 100.00% |
| | | The Great Habitat Mansion House | Dongli District, Tianjin | 562 | 385 | 448 | 60.00% |
| | | Yixingbu Project, Beichen District | Beichen District, Tianjin | 3,034 | 2,615 | 3,002 | 51.00% |
| | | | | 9,707 | 7,808 | 6,331 | |
| | Shijiazhuang | Chang'an District Plot 015 | Chang'an District, Shijiazhuang | 228 | 171 | 228 | 51.00% |
| | | Chang'an District Redevelopment Project | Chang'an District, Shijiazhuang | 363 | 268 | 363 | 30.00% |
| | | Sino-Ocean No. 7 | Chang'an District, Shijiazhuang | 115 | 103 | 115 | 20.00% |
| | | | | 706 | 542 | 706 | |
| | Zhangjiakou | Centrality Mansion | Qiaodong District, Zhangjiakou | 203 | 163 | 203 | 60.00% |
| | Langfang | Nianziying Project | Guangyang District, Langfang | 1,897 | 954 | 1,897 | 51.00% |
| | | Xiang He Wan Run Project | Xianghe County, Hebei Province | 269 | 180 | 269 | 20.00% |
| | | | | 2,166 | 1,134 | 2,166 | |
| | | | | 19,217 | 14,689 | 14,882 | |

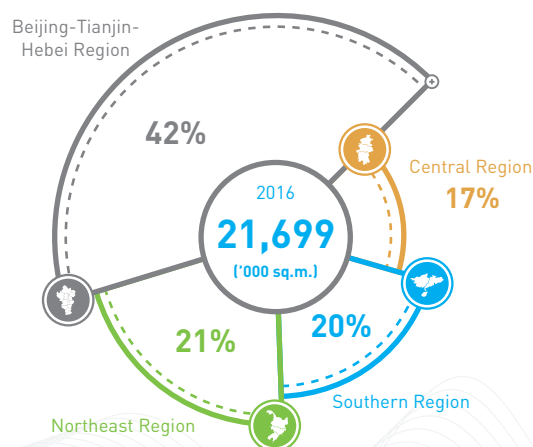
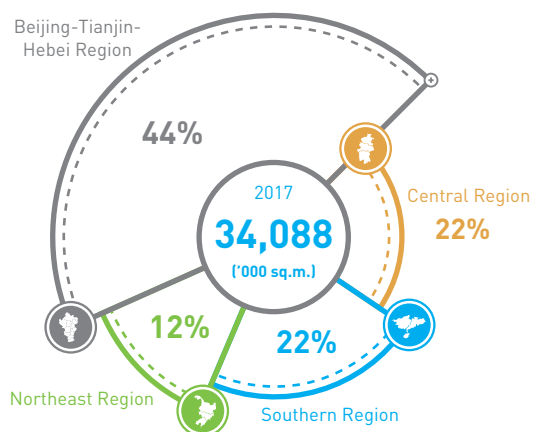
| Region | Cities | Projects | District | Approximate total GFA ('000 sq.m.) | Approximate total salesable GFA ('000 sq.m.) | Remaining Landbank ('000 sq.m.) | Interest attributable to the Group (%) |
|------------------|-----------|-------------------------------------|------------------------------|------------------------------------|--|---------------------------------|--|
| Northeast Region | Dalian | Jinma Project | Jinzhou District, Dalian | 77 | 43 | 77 | 10.00% |
| | | Ocean Diamond Bay | Ganjingzi District, Dalian | 2,047 | 1,746 | 1,208 | 100.00% |
| | | Ocean Worldview | Jinzhou District, Dalian | 1,902 | 1,645 | 425 | 100.00% |
| | | Sino-Ocean Technopole | Jinzhou District, Dalian | 922 | 540 | 922 | 100.00% |
| | | The Place of Glory | Ganjingzi District, Dalian | 925 | 875 | 493 | 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% |
| | | | | 6,203 | 5,076 | 3,455 | |
| | Shenyang | Grand Canal Milestone | Shenhe District, Shenyang | 382 | 257 | 382 | 100.00% |
| | | Ocean Paradise | Heping District, Shenyang | 713 | 695 | 10 | 100.00% |
| | | Yulin Biyu Project | Hunnan District, Shenyang | 212 | 169 | 212 | 50.00% |
| | | | | 1,307 | 1,121 | 604 | |
| | Changchun | Ocean Cannes Town | Nanguan District, Changchun | 830 | 661 | 5 | 100.00% |
| | | Orient Palace | Nanguan District, Changchun | 73 | 60 | 73 | 20.00% |
| | | | | 903 | 721 | 78 | |
| | | | | 8,413 | 6,918 | 4,137 | |
| Central Region | Shanghai | Chongming Dongtan Project | Chongming District, Shanghai | 1,072 | 672 | 1,010 | 13.54% |
| | | Ocean Fortune Center | Pudong New Area, Shanghai | 59 | 45 | 42 | 100.00% |
| | | Ocean Mansion No. 7 | Baoshan District, Shanghai | 117 | 110 | 4 | 100.00% |
| | | Ocean Melody | Pudong New Area, Shanghai | 323 | 278 | 141 | 100.00% |
| | | Wellness Masterpiece | Qingpu District, Shanghai | 49 | 41 | 49 | 50.00% |
| | | | | 1,620 | 1,146 | 1,246 | |
| | Hangzhou | Canal Business Center Project | Gongshu District, Hangzhou | 609 | 292 | 172 | 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% |
| | | Hangyang Project | Xiacheng District, Hangzhou | 109 | 60 | 109 | 20.00% |
| | | Natural Masterpiece | Gongshu District, Hangzhou | 145 | 99 | 145 | 50.00% |
| | | Ocean In Your Heart | Jiangan District, Hangzhou | 171 | 109 | 3 | 100.00% |
| | | Ocean Melody | Jiangan District, Hangzhou | 58 | 39 | 1 | 100.00% |
| | | Seasons County | Gongshu District, Hangzhou | 129 | 89 | 129 | 50.00% |
| | | Sion-Ocean Native Place | Xiaoshan District, Hangzhou | 68 | 41 | 68 | 100.00% |
| | | | | 1,507 | 867 | 845 | |

| Region | Cities | Projects | District | Approximate total GFA ('000 sq.m.) | Approximate total salesable GFA ('000 sq.m.) | Remaining Landbank ('000 sq.m.) | Interest attributable to the Group (%) |
|--------|-----------|---|---------------------------------------|------------------------------------|--|---------------------------------|--|
| | Nanjing | Ocean Landscape | Jiangning District, Nanjing | 147 | 121 | 147 | 70.00% |
| | | Sino-Ocean Land Greenland Premier Court | Jiangning District, Nanjing | 71 | 67 | 30 | 50.00% |
| | | | | 218 | 188 | 177 | |
| | Huangshan | An Island Paradise | Tunxi District, Huangshan | 155 | 154 | 89 | 100.00% |
| | Qingdao | Ocean Melody | Huangdao Development Zone, Qingdao | 109 | 107 | 15 | 100.00% |
| | | Ocean Seasons | Laoshan District, Qingdao | 146 | 131 | 17 | 100.00% |
| | | Xingzhengyuan Project, Jiaozhou | Jiaozhou City, Qingdao | 333 | 269 | 333 | 15.00% |
| | | | | 588 | 507 | 365 | |
| | Wuhan | Hejiadun Project | Jiangnan District, Wuhan | 1,019 | 972 | 761 | 61.00% |
| | | Ocean World | Dongxihu District, Wuhan | 398 | 369 | 180 | 100.00% |
| | | Oriental World View | Jiangnan District, Wuhan | 1,880 | 1,510 | 1,880 | 10.50% |
| | | | | 3,297 | 2,851 | 2,821 | |
| | Suzhou | Fenhu Plot 006 | Wujiang District, Suzhou | 113 | 79 | 113 | 34.00% |
| | | Ocean Melody | Port Area, Taicang City | 105 | 77 | 105 | 34.00% |
| | | Shihu Project | Wuzhong District, Suzhou | 49 | – | 49 | 68.75% |
| | | | | 267 | 156 | 267 | |
| | Hefei | Metropolitan 1907 | Binhu New Area, Hefei | 322 | 242 | 322 | 25.00% |
| | 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 | |
| | Jiaxing | Jiaxing Project | Hunan District, Jiaxing | 96 | – | 96 | 95.00% |
| | Taiyuan | Shengjian Project, Xiaodian District | Xiaodian District, Taiyuan | 45 | 40 | 45 | 100.00% |
| | Wuxi | Haoshi Project | Wuxi New Area | 63 | 52 | 63 | 40.00% |
| | | Yuqin Project | Wuxi New Area | 116 | 93 | 116 | 40.00% |
| | | | | 179 | 145 | 179 | |
| | Zhengzhou | 107 Road Project, Longhu Town | Longhu Town, Xinzheng City, Zhengzhou | 169 | 158 | 169 | 60.00% |
| | | | | 9,298 | 7,105 | 7,456 | |

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

| Region | Cities | Projects | District | 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 | Jiulongpo District, Chongqing | 126 | 125 | 126 | 37.71% |
| | | Gaomiao Project, Phase II, Jiulongpo District | Jiulongpo District, Chongqing | 285 | 213 | 285 | 37.71% |
| | | Jiuquhe Plot 2 of Yubei District | Yubei District, Chongqing | 335 | 246 | 335 | 37.71% |
| | | Sino-Ocean International Golf Resort | Banan District, Chongqing | 592 | 480 | 244 | 42.25% |
| | | | | 1,338 | 1,064 | 990 | |
| | Chengdu | Longquan Sunshine Town Project | Longquanyi District, Chengdu | 320 | 263 | 320 | 50.00% |
| | | Ocean Crown | Qinyang District, Chengdu | 99 | 46 | 99 | 60.00% |
| | | Sino-Ocean Tailoo Li Chengdu | Jinjiang District, Chengdu | 417 | 362 | 202 | 50.00% |
| | | Xipu Project | Pidu District, Chengdu | 139 | 99 | 139 | 50.00% |
| | | | | 975 | 770 | 760 | |
| | 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 | 50.00% |
| | | | | 127 | 84 | 127 | |
| | Kunming | Chenggong Project | Chenggong District, Kunming | 222 | 218 | 222 | 70.00% |
| | Foshan | Sanshui Project | Sanshui District, Foshan | 207 | 192 | 207 | 50.00% |
| | | | | 11,597 | 9,085 | 7,613 | |
| Total | | | | 48,525 | 37,797 | 34,088 | |

The landbank by geographical locations as at 31 December 2017 and 2016 are analyzed below:



PROPERTY INVESTMENT

Investment properties provide a steady and reliable income and cash flow to the Group in addition to the possible capital gains from appreciation in value. They also help us to diversify our risk from market turbulence in the property development business. 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. Our investment properties are mainly A-grade office premises, shopping malls and commercial complex with a total leasable area of approximately 1,097,000 sq.m..

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) | Xicheng District, Beijing | 30,000 | 26,000 | – | 4,000 | 99% | 72.00% |
| Ocean International Center Block A (Beijing) | Chaoyang District, Beijing | 101,000 | 75,000 | 9,000 | 17,000 | 91% | 100.00% |
| Ocean Office Park (Beijing) | Chaoyang District, Beijing | 127,000 | 81,000 | 22,000 | 24,000 | 95% | 100.00% |
| Ocean We-life Plaza (Beijing) | Chaoyang District, Beijing | 31,000 | – | 31,000 | – | 93% | 100.00% |
| Ocean We-life Plaza (Tianjin) | Hedong District, Tianjin | 41,000 | – | 41,000 | – | 99% | 100.00% |
| Grand Canal Plaza (Hangzhou) | Gongshu District, Hangzhou | 68,000 | – | 68,000 | – | 88% | 100.00% |
| North Carolina Project (USA) | Durham, North Carolina | 12,000 | 12,000 | – | – | 91% | 70.00% |
| San Francisco Project (USA) | Financial District, San Francisco | 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) | Chaoyang District, Beijing | 176,000 | 49,000 | 71,000 | 56,000 | 99% | 50.00% |
| Ocean International Center, Phase II (Beijing) | Chaoyang District, Beijing | 77,000 | 47,000 | 19,000 | 11,000 | 95% | 35.00% |
| Diamond Plaza (Beijing) | Haiding District, Beijing | 22,000 | 22,000 | – | – | 100% | 50.00% |
| Silicon Valley Bright Centre building #4 (Beijing) | Haiding District, Beijing | 9,000 | 8,000 | 1,000 | – | 87% | 50.00% |
| Bailibao Plaza (Shenyang) | Heping District, Shenyang | 56,000 | 12,000 | 44,000 | – | 80% | 50.00% |
| Danling International Plaza (Shanghai) | Jing'an District, Shanghai | 38,000 | 38,000 | – | – | 77% | 50.00% |
| Sino-Ocean Tower (Shanghai) | Huangpu District, Shanghai | 62,000 | 43,000 | 7,000 | 12,000 | 94% | 15.00% |
| Haixing Plaza (Shanghai) | Huangpu District, Shanghai | 14,000 | 10,000 | – | 4,000 | 100% | 50.00% |
| Huamin Empire Plaza (Chengdu) | Jinjiang District, Chengdu | 51,000 | 48,000 | 2,000 | 1,000 | 55% | 50.00% |
| Sino-Ocean Taikoo Li Chengdu (Chengdu) | Jinjiang District, 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 | | |

COMMERCIAL PROPERTIES IN PROGRESS

The Group has built a sound foundation for office complex operation and management since the development of commercial properties in 2010. We have cultivated strengths in commercial project positioning, planning and design, development and construction, investment attraction and project operation. Currently, we have more than 20 commercial property projects in progress across China, including grade A offices, high-class shopping centers, five-star hotels and high-quality serviced apartments.

As at 31 December 2017, revenue from property investment amounted to RMB977 million. The Group currently has over 18 operating investment properties. During 2017, we newly acquired 7 investment properties in China and San Francisco in USA, which added resources to our high-end and well-developed office premise portfolio.

We now have approximately 1,097,000 sq.m. commercial real estate resources in operation, with office developments and commercial complexes and car parks accounting for about 44% and 56% respectively. In addition, we have commercial property resources pending for development and operation by stages between 2018 and 2020. These include offices in Beijing CBD, shopping centers in Beijing Tongzhou district and other high-class commercial complexes. Going forward, the commercial property brand will boast a strong portfolio of cross-regional and diversified products. They will provide a sound foundation for favourable investment yield and profitability level in the future.

🕒 Property Management

For the year ended 2017, the Group's revenue from property management services amounted to RMB930 million, representing an increase of 3% compared to RMB899 million in 2016. A total GFA of 21,250,000 sq.m. (2016: 18,509,000 sq.m.) was subject to the Group's property management fee, representing an increase of 2,741,000 sq.m..

OTHER INFORMATION

Details of the Group's business combination during the year are set out in note 48 to the consolidated financial statements of this annual report.

🕒 Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

In 2017, 39% of the Group's total borrowings were denominated in USD and HKD. As a result, the Group had a net currency exposure to fluctuation in foreign exchange rates. As Renminbi has been facing the trend of depreciation, the Group is adjusting our proportion of borrowings in foreign currencies and has entered into certain forward contracts so as to reduce the exchange loss in future year. The Group has never engaged in the dealing of any financial derivative instruments for speculative purpose.

In view of the potential Renminbi exchange rate fluctuations, the Group will further consider arranging for monetary and interest rate hedge at appropriate times to avoid the corresponding risks.

Details of the Group's foreign exchange risk are set out in note 4.1(a)(i) to the consolidated financial statements of this annual report.

ANNUAL RESULTS ANNOUNCEMENT

Reference is made to the announcement of annual results for the year ended 31 December 2017 of the Company dated 21 March 2018 (the “**Results Announcement**”). Set out below are further information relating to the publication of financial statements required under section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”):

The financial information relating to the Company for the year ended 31 December 2016 and 2017 included in the Results Announcement is derived from but does not constitute the Company’s statutory annual consolidated financial statements for these two years.

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies of Hong Kong as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 to the Registrar of Companies of Hong Kong within the prescribed time limit.

The Company’s auditor has reported on the financial statements of the Group for the years ended 31 December 2016 and 2017. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

EMPLOYEES AND HUMAN RESOURCES

As at 31 December 2017, the Group had 10,081 employees (31 December 2016: 8,340 employees), the increment of manpower is resulted by the development of different business function. Both manpower effectiveness and control capability of the Group had been strengthened during the year.

During 2017, taking into account the amortization of share options, the level of our overall staff cost was approximately RMB2,081 million (2016: RMB1,687 million). We believe the share option scheme implemented in previous years will provide long-term incentive and rewards to our staff.

We will continuously review our salary and compensation schemes to make them competitive to retain our talented staff and also provide various training and development programs so that these talented staff can ultimately bring in higher return to our shareholders and investors.



MAJOR AWARDS AND RECOGNITIONS

OVERSEAS AWARDS RECEIVED



Award received: **Outstanding Listed Company Tours 2017 — Main Board (Market capitalization)**
Time of award: November 2017
Issuing organisation: Hong Kong Economic Journal and PR Asia Consultants Limited



Award received: **Listed Enterprises of the Year 2017**
Time of award: November 2017
Issuing organisation: Bloomberg Businessweek/Chinese Edition

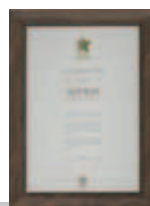


Award received: **ARC Award: Traditional Annual Report — Property Development: Commercial-Gold**
ARC Award: Traditional Annual Report — Property Development: Residential-Silver
ARC Award: Interior Design — Property Development: Residential- Silver
ARC Award: Traditional Annual Report — Real Estate Development/SVC: Residential Properties — Honors
ARC Award: Interior Design- Real Estate Development/SVC: Residential Properties — Honors
Time of award: October 2017
Issuing organisation: MerComm, Inc.

DOMESTIC AWARDS RECEIVED



Award received: **Consumers' Favored Model Real Estate Enterprise for Healthy Habitat for 2017**
Time of award: June 2017
Issuing organisation: China Consumer Journal



Award received: **The Billboard of the Most Valuable Real Estate Enterprises of China for 2017 — the Most Valuable Real Estate Enterprise of the Year: Sino-Ocean Group**
Time of award: 2017
Issuing organisation: National Business Daily



Award received: **China Real Estate Fashion Awards 2017: Real Estate Developers with the Best Investment value in China of the year**
Time of award: August 2017
Issuing organisation: Guandian New Media



Award received: **2017 Top 10 China Green Real Estate Developers**
Time of award: June 2017
Issuing organisation: Biaozhun



Award received: **2017 China Healthy Construction Leading Enterprises**
Time of award: June 2017
Issuing organisation: Biaozhun



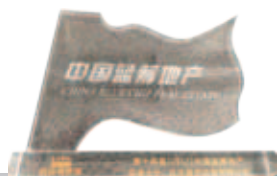
Award received: **The 14th (2017) China Blue Chip Real Estate Developer**
Time of award: 2017
Issuing organisation: The Economic Observer



Award received: **2017 China Green Real Estate Developers (Commercial) — Third Prize**
Time of award: June 2017
Issuing organisation: Biaozhun



Award received: **China Top Green Building — Top 30 Most Competitive Enterprises for 2017**
Time of award: 2017
Issuing organisation: China International Real Estate & Architectural Technology Fair, China Real Estate Business, Green Building Alliance



Award received: **The 14th (2017) China Blue Chip Real Estate Developer**
Time of award: 2017
Issuing organisation: The Economic Observer



Award received: **China Top Green Building — Top 10 Outstanding Green People for 2017**
Time of award: 2017



INVESTOR RELATIONS

Our Group adheres to the best practice in information disclosure in terms of accuracy, transparency and consistency. We are committed to maintaining highly honest, sincere and effective communication with the financial community and other stakeholders. Our goals are to deepen investors' understanding and approval of the Group's strategies, to raise the quality of internal management and to maximize the Group's value.

PROMOTING VALUE THROUGH ACTIVE COMMUNICATION

As control measures continued to penetrate in various cities in 2017, property prices were effectively regulated. At the same time, mechanisms with lasting effects to maintain the long-term stability of the market were accelerated, establishing a more robust and multi-layered housing supply system. Both competitions within the industry and market consolidation continued to rise in the new market situation.

In light of the changing macro-environment and new developments in the industry, we responded swiftly by maintaining continuous communication with our investors. We emphasized to investors our directives of 'improving performance of principal business and accelerating growth of new businesses'. We gave clear indication of our performance growth target for property development to the capital market. At the same time, the independent, rapid and solid progress of our investment property development, real estate finance, senior living and property management won further approval of investors.

In 2017, we made proactive communication with analysts and investors through results announcements and road shows. We also arranged for the first time small group meetings between management and investors. These meetings were highly effective and enjoyed very positive feedback. They served to reinforce understanding and trust between the Group and the capital market. Furthermore, the Group continued to generate opportunities to interact with analysts and investors individually. On the one hand, we attended investors' conferences and communicated constantly with them daily. In 2017, we attended conferences in Beijing, Shanghai, Shenzhen, Hong Kong, Macau and Singapore organized by 12 securities firms. We also conducted in-depth one-on-one discussions with over 200 institutional and individual investors. On the other hand, in view of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, we actively explored new channels of communication with over 50 funds and securities firms in mainland China. We also hosted more than 200 stakeholders at some 80 project site visits, enabling them to better understand the latest developments in the Group's various business segments.

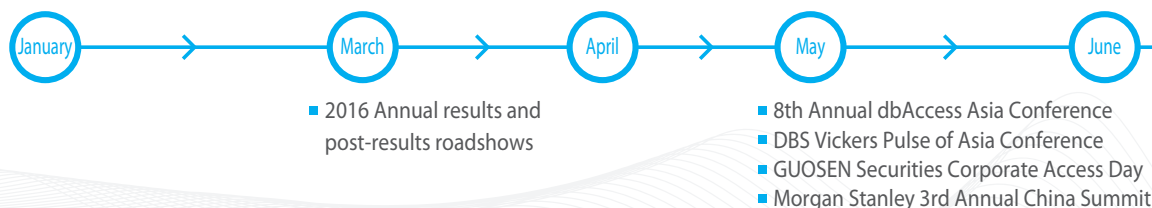
Through these events and discussions, we were able to foster a deeper understanding and appreciation of the Group's progress, business policies and strategic development among fund managers, institutional and individual investors, analysts and other interested parties. Meanwhile our management also gained better knowledge of the expectations and demands of the capital market on the Group. We will seriously consider and put into practice all constructive suggestions.

2017 Investor relations activities

- BNP Paribas Asia Pacific Financials & Property Day
- DBS Vickers Pulse of Asia Conference
- UBS Greater China Conference
- 15th Annual dbAccess China Conference

- UBS HK/China Property Conference

- J.P. Morgan Global China Summit





OPEN AND TRANSPARENT, WE LISTENED ATTENTIVELY

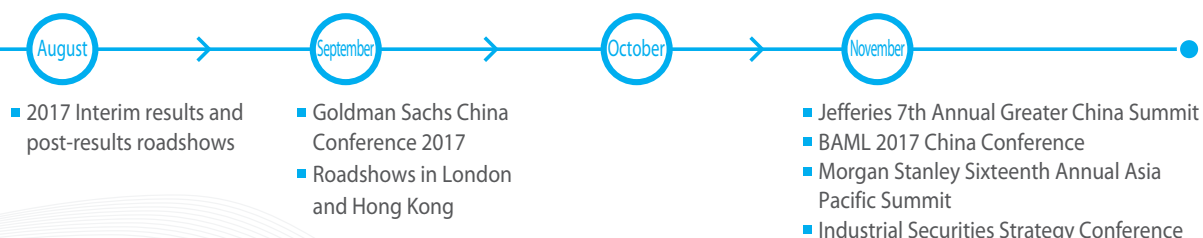
In 2017, we maintained our high standards of information disclosure to ensure the timely dissemination of relevant corporate information via our official website and other channels. In addition, we published our monthly unaudited operating statistics on the HKEX website and shared information on the Group's latest developments via investors group to boost transparency and to ensure proper and fair access to relevant data for all parties in the capital market.

In 2017, we enjoyed coverage from 23 securities firms, including JPMorgan, Credit Suisse, Goldman Sachs, Morgan Stanley, Citi, Deutsche Bank, China International Capital Corporation, BOCI, Nomura, DBS, Macquarie and Mizuho, etc., the majority of which rated Sino-Ocean Group as 'out-performed the market', 'buy' or 'hold'.

We listened carefully to our shareholders' concerns and addressed them efficiently. In 2017, the Group held the Annual General Meeting in May and the Extraordinary General Meeting in October and December. As always, after each meeting management representatives reserved time for individual shareholders to voice their opinions and concerns, ensuring all parties present were given opportunity to discuss the key issues with our representatives.

We will continue our efforts to gain more coverage and obtain more recommendations from securities firms, with the goal of promoting investors' approval, confidence and loyalty, as well as protecting their interests. We are grateful to all stakeholders for their remarkable support. If you have any questions or comments with regards to our work, please contact us at ir@sinooceangroup.com. We promise to provide answers to the extent permitted by applicable laws, regulations and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

■ 12th Citi China Investor Conference 2017



SUSTAINABILITY REPORT

In 2017, Sino-Ocean Group actively implemented the concept of “healthy construction”, created more positive values to the environment and the society in the context of sustainable operation.

On 30 June 2017, the Group published the “Sino-Ocean Group Sustainable Development Report 2016” which is the Group’s 7th social responsibility report, being the first social responsibility report to be re-designated as a “sustainable development report”. The report received the highest 5-star rating from the “Expert Committee for the Assessment of Corporate Social Responsibility Reports of Chinese Companies” of the Chinese Academy of Social Sciences. In addition, the Group garnered the award of excellence in practice in the “China CSR Ranking” announced by China Business Week, we were also selected for the first time as a constituent of the Hang Seng Corporate Sustainability Benchmark Index in September 2017, underscoring recognition of the capital market for the Group’s breakthroughs in overall sustainable development.

MANAGEMENT OF SUSTAINABLE DEVELOPMENT

The Group has been upgrading its management of sustainable development in tandem with the progress of its overall corporate strategy. From the organisation of sporadic charitable activities in the beginning, it has now been developed into multi-dimensional, systematic and specialised management embedded in our businesses and operations.

First of all, our foundation has been further enhanced. There has been efforts to build with various resources an online process for sustainable development, in which related sustainable development data is streamlined and analysed into breakdowns for each project. We ensure that all information disclosure is true, complete and accurate by adopting a multi-tier procedure of reporting, examination, feedback, upgrade.

Further, in order to gain further insights into the views and needs of stakeholders in respect of the Group’s work in sustainable development, the Group has broadened the scope of research on stakeholders, so that it could collect the views of different stakeholders through broader platforms and channels to provide a foundation for the drafting of reports and improvement of future work in sustainable development.

CONCERTED EFFORT IN THE PROTECTION OF HEALTH

Since the proposition of the brand concept of “Healthy Construction” by the Group in 2016, the brand positioning of the products has been raised to the level of the pursuit of life values (comprising environmental and social values), as opposed to the previous emphasis on housing values comprising residential values and economic values. In 2017, the Group’s on one hand promoted the completion of healthy buildings which complied with the WELL standards, on the other hand, we have advanced the concept of healthy construction by facilitating concerted efforts among various business segments and functions.



HEALTH PRODUCTS

Currently, the Group is promoting WELL health construction standards at 15 projects across the nation with a total GFA of approximately 1.30 million square metres, covering residential, commercial, office tower and aged home developments, out of which 1.07 million square metres are registered for WELL projects. Among these projects, Elite Palace (Guangzhou) has passed the assessment of IWBI (International WELL Building Institute) and become the first property development worldwide to apply WELL MF (multi-floor residence) Standards with a WELL MF Gold PV.

The quest for health should not be limited to indoor space, for it concerns the entire ecological environment. As well as acknowledging the importance of a people-oriented approach, the Group pays close attention to the fact that our fate is tied to that of the environment. The Group was included in the "Top 30 Competitive Enterprises in Green Development" with an 11th ranking and "Top 10 Influential Green Property Development Companies" with a 6th ranking. Group Chairman and President Mr. Li Ming was named among "China's Top 10 Outstanding Figures in Green Business 2017".



HEALTH SERVICES

The Group created Senior Living L'Amore, a far-sighted brand for elderly care services 5 years ago, paving the way for the care of elderly and dementia's patients in China based on professionalism and filial piety. Following validation and exclusive franchise by Naomi Feil, international authority in dementia care and originator of the validation therapy, Sino-Ocean L'Amore launched the official Chinese edition of "Validation", a work on the care of dementia's patients, in May 2017 with the help of domestic experts. At the same time, we have set up a "Memory Museum" in the dementia care area of the Senior Living L'Amore apartments, as well as organised touring seminars on Alzheimer's to provide practical help to elderly dementia's patients.



HEALTH CULTURE

With regard to the health culture, the Group vigorously promoted health concepts and organised stakeholders to take part in healthy sports so as to impart the health culture. In this connection, the Group was honoured the “Best Office Space Award” as sole winners in the “Best Healthy Employers of China 2017” jointly hosted by the Human Resource Association for Chinese and Foreign Enterprises for their outstanding performance as healthy offices.

The Sino-Ocean brand presentation and the launch of the healthy life season and charity run under the theme of “Blossoming Health” at Sino-Ocean Ying Chuang Wellness Industrial Park in July 2017 marked the beginning of a wide range of health activities. These included the universal health walk of Sino-Ocean staff in 24 cities in celebration of the Group’s 24th anniversary, the Sino-Ocean charity run which assembled 3,749 employees, customers and business partners in six months’ time, the “Football Night” in celebration with the media of the 10th anniversary of the Group’s listing, and the “Sino-Ocean Cup” football league for property owners which lasted for nearly 2 months, in a major effort to foster a universal culture of the quest for health among Sino-Ocean Group.



UNIVERSAL PARTICIPATION IN CHARITY TO PROMOTE COMMUNITY INVOLVEMENT AND DEVELOPMENT

Sino-Ocean Group made major breakthroughs in fostering universal participation in charity and community development in 2017. With the unfailing support of Sino-Ocean Charity Foundation, an increasing number of Sino-Ocean staff joined the initiative, they also invited friends and relatives, clients and business associates, and even people they had not previously been acquainted to in the participation in charity. During the year, the Group has assisted in relief for patients suffering from serious illness, healthcare for veterans, confidence training for children, the preservation of ethnical cultural heritage, exchanges between cities and rural areas, civic education, public sports and health, and other agenda in social development.

Through the proposition of universal involvement in charity and active association among different projects, the Group has mobilised 5,211 volunteers to spend 46,364 hours in voluntary services in 2017.



ADVOCATING FOR A VALUE CHAIN IN SOCIAL RESPONSIBILITY

Internally, apart from proactive allocation of internal and external resources for involvement in charity projects, the Group has also made vigorous efforts to foster role models, encouraging the fulfilment of civic responsibilities by individuals and teams and commending those with outstanding performance with the “Social Responsibility Role Model Award”. We have been presenting this award for the past 5 years, during which numerous outstanding individuals and groups integrating business tasks and social responsibility and encouraging participation by stakeholders have been recognised.

Externally, guided by the concept of “healthy construction” on the back of its inherent strengths, the Group has been actively promoting the cause among its peers and partners to encourage the creation of health values through joint efforts. The Group’s representatives has been consistently advocating the development of health construction in China to its peers at various industry conferences, In the “Report on the Status of the Property Market and Forum for Class I Property Developers in China 2018” hosted by China Real Estate Association, Group Chairman Li Ming, as the only invited representative of real estate companies, shared the experience of Sino-Ocean in the implementation of the WELL healthy construction standards with senior government officials, experts and peers under the theme of “Healthy Construction”.

For more information, please refer to the “Sino-Ocean Group Sustainable Development Report 2017”, which will be published on the website of The Stock Exchange of Hong Kong (www.hkexnews.hk) and the website of the Company (www.sinooceangroup.com) on or around 30 June 2018.

Business Overview

Focusing on the development of core business
Nurturing new collaborative business







远洋地产

SINO-OCEAN REAL ESTATE 远洋地产

Sino-Ocean Real Estate is committed to the making of homes for healthy life through the provision of health-friendly products and services in line with its expertise of delivering "Homes for Health Life".

Residential property development remains the core driver for Sino-Ocean Group's growth in scale.

Sino-Ocean remains committed to metropolitan regions commanding "sustained economic growth and a strong concentration of population". We start from strategic core cities and maximize value gained from these cities by tapping their surrounding areas and we successfully root in cities clusters which are under the national key planned development, such as the Beijing-Tianjin-Hebei Region, the Yangtze River Delta region, the Yangtze Mid-stream region, the Pearl River Delta Region and Chengdu — Chongqing region. With the growing recognition of the brand of Sino-Ocean Real Estate in China, our properties under the name of "Ocean Landscape", "Ocean Melody" and "Ocean Epoch" have become well-known mid- to high-end residential products brands.

共享生活



健康

品質



專注



PROJECT DISTRIBUTION

Our business has been distributed to more than 30 cities throughout tier-one and tier-two cities

BEIJING-TIANJIN-HEBEI REGION

Beijing, Tianjin, Shijiazhuang, Zhangjiakou, Langfang

Total GFA: 19,217,000 sq.m.
Total landbank: 14,882,000 sq.m.

No. of projects: **48**

PEARL RIVER DELTA REGION

Guangzhou, Shenzhen, Zhongshan, Foshan, Hong Kong

Total GFA: 8,080,000 sq.m.
Total landbank: 4,856,000 sq.m.

No. of projects: **23**

CHENGDU-CHONGQING REGION

Chengdu, Chongqing, Kunming

Total GFA: 2,535,000 sq.m.
Total landbank: 1,972,000 sq.m.

No. of projects: **9**

YANGTZE RIVER DELTA REGION

Shanghai, Hangzhou, Nanjing, Suzhou, Wuxi, Jiaxing

Total GFA: 3,887,000 sq.m.
Total landbank: 2,810,000 sq.m.

No. of projects: **22**

YANGTZE MID-STREAM REGION

Wuhan, Hefei, Changsha, Huangshan, Nanchang

Total GFA: 4,609,000 sq.m.
Total landbank: 4,067,000 sq.m.

No. of projects: **9**

OTHER REGIONS

Shenyang, Dalian, Changchun, Qingdao, Haikou, Sanya, Taiyuan, Zhengzhou, Xiamen

Total GFA: 10,194,000 sq.m.
Total landbank: 5,501,000 sq.m.

No. of projects: **22**



SINO-OCEAN REAL ESTATE

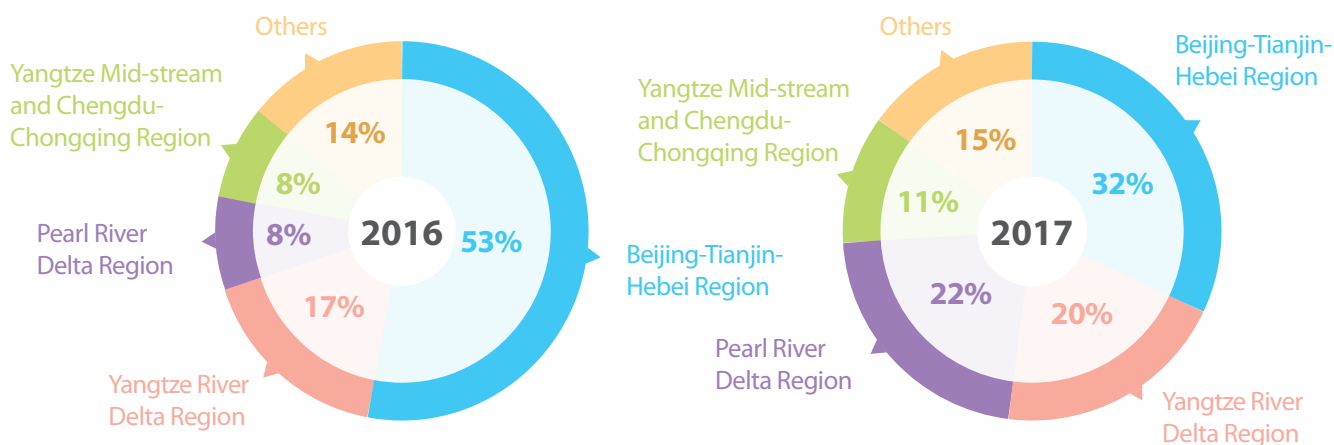
Balanced planning

The proportion of the contracted sales from Beijing-Tianjin-Hebei Region decreased to 32% compared to 53% in last year while those of the Yangtze River Delta region, Pearl River Delta Region, the Yangtze Mid-stream region and Chengdu-Chongqing region amounted to 20%, 22% and 11%, respectively.

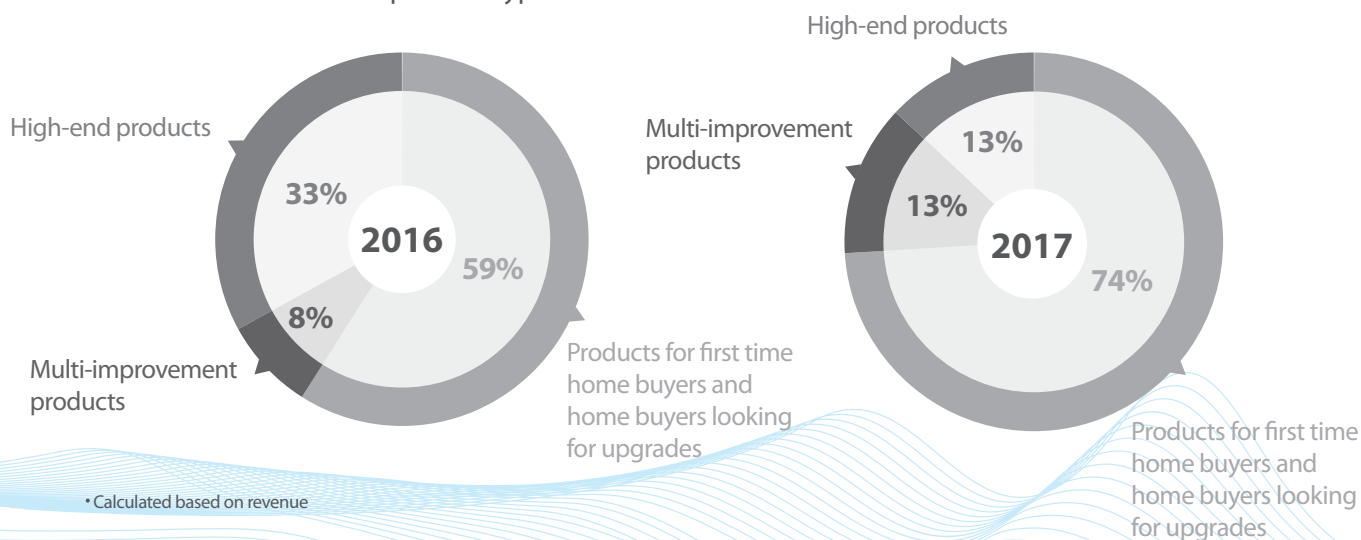
Prominently optimized structure

The proportion of the contracted sales from first-time homebuyers and homebuyers looking for living condition improvement reached 74%, with a YoY increase of 15 percentage points. The sales of market-oriented products with quick turnover significantly increased.

This distribution of each region is set out as follows:



The distribution of each product type is set out as follows:



The planning and promotion of product lines

With years of operation, the Group has developed many product lines catering the needs of different customers, such as the product line of Ocean Landscape for first-time home buyers and home buyers looking for upgrades, the product line of Ocean Melody for the home buyers with improvement demands and the product line of Ocean Epoch for high-end customers.

Meanwhile, the Group actively implemented product standardization in 2017 and the standardized products of the product line of Ocean Landscape have covered most products with quick turnover in 19 cities.



Product Line of Ocean Landscape



Product Line of Ocean Melody



Product Line of Ocean Epoch

The enhancement and generation upgrade of product lines in 2018

The application of the product line of Ocean Landscape

To fully apply and implement the outputs of the product line of Ocean Landscape completed in 2017 on the newly-acquired projects in 2018, making iterative upgrades;

The research and development of Loft and improvement product lines

To promote and improve the research and development of Loft and improvement product lines;

Research and development on different special projects

To enforce the R&D and promotion on special projects such as premium renovation, prefabrication, smart homes, garden and landscape, aiming to increase product quality as a whole.

◎ Product Line of Ocean Landscape



ZHONGSHAN Blossoms Valley



GUANGZHOU Elite Palace

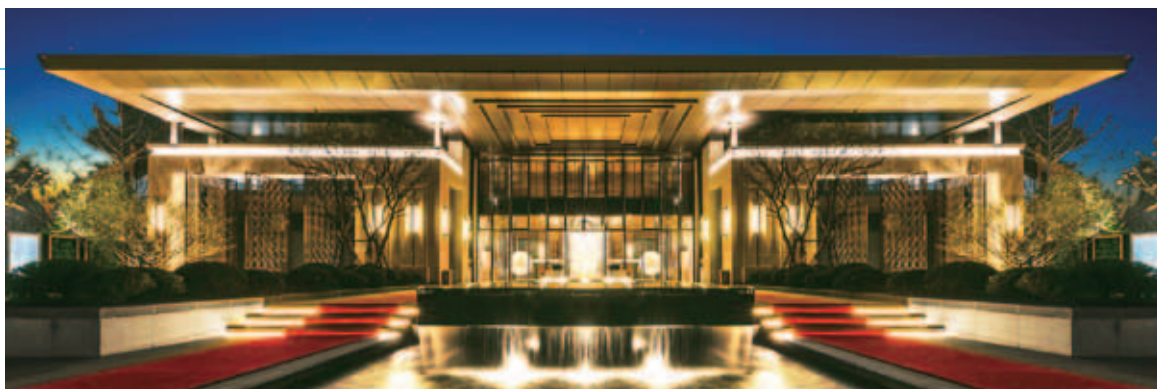
◎ Product Line of Ocean Melody



TIANJIN Ocean Kunting



SHENYANG Grand Canel Milestone



HANGZHOU Natural Masterpiece

◎ Product Line of Ocean Epoch



BEIJING Ocean Epoch



BEIJING Ocean Palace



遠洋商業

SINO-OCEAN COMMERCIAL PROPERTY 遠洋商業

Sino-Ocean commercial property seeks leaping developments with its focus on “complexes and offices” as strategic products, enters into business involving urban complexes, urban community commercial hubs and offices. Sino-Ocean has well-developed internal control system and teams of professional marketing, construction and operation personnel.

We are focused on strengthening our investment holdings in upmarket projects of office properties in core tier-one cities, such as Beijing, Shanghai, Guangzhou and Shenzhen while the focus of urban complexes business will be placed on the investment, development and operation of mid-to high-end urban projects in tier-one cities and certain potential and economically advanced tier-two cities.

開發

活力

融合



洞察

點亮城市



SINO-OCEAN COMMERCIAL PROPERTY



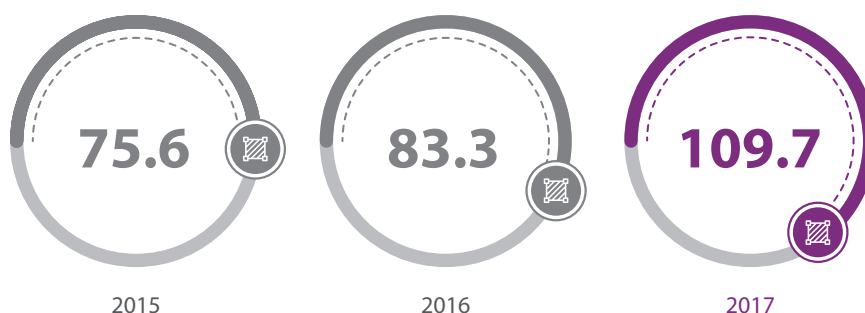
**With an operating area
of 1,100,000 sq.m.**



**Active promotion of
asset light operation**

- This sector involves the development of office premises, urban complexes and community retail properties.
- Focus on tier-one and tier two core cities.
- The locations for future project reserves are excellent.

Operating area (10,000 sq.m.) is analysed as follows:



BEIJING Lize Business District Project

🕒 Office premises and retail property



BEIJING Ocean International Center



BEIJING Ocean Office Park



BEIJING Ocean We-life Plaza



BEIJING Ocean Plaza

Complexes



BEIJING INDIGO



CHENGDU Sino-Ocean Taikoo Li

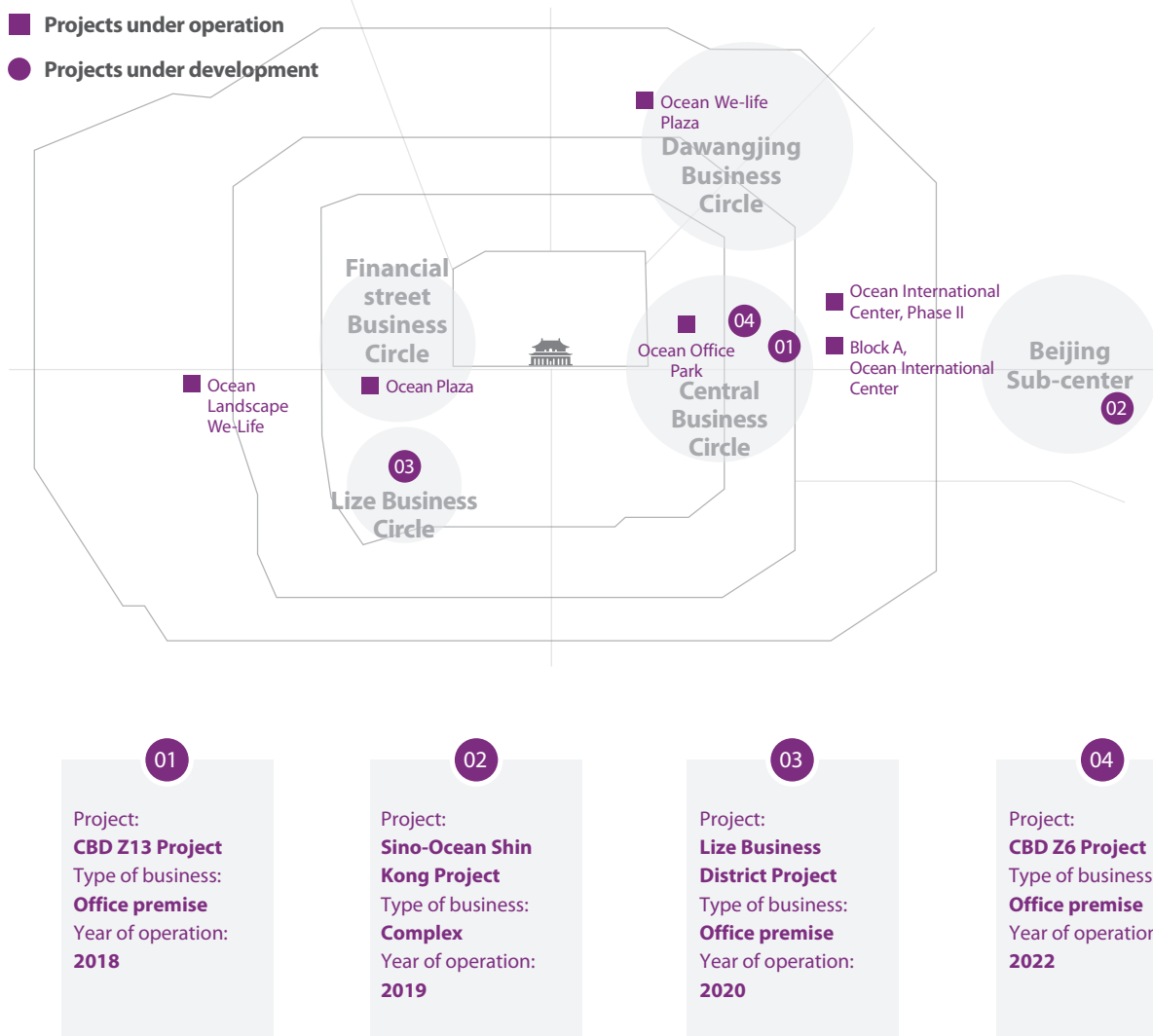


HANGZHOU Grand Canal Place

◎ Properties under development held by the Group

Looking forward to 2018-2022, the Company will launch various office and complex projects located at the core business circle in Beijing successively.

The Company will adhere to the investment standard and capture opportunities for merger and acquisition in order to garner more quality assets. It is expected that the rental revenue for equity in 2022 will reach RMB4 billion.



◎ Continuous cultivation in co-working market Strengthening cooperation with WeWork

In the first half of 2017, the joint venture projects by Sino-Ocean Group and WeWork located at the investment properties held by Sino-Ocean (namely the Sino-Ocean Tower, Ocean Office Park and Ocean International Center) opened for business progressively. In just a short time of operation, all three joint venture projects quickly reached an occupancy rate of 100%. The properties held by Sino-Ocean achieved an optimization in asset value through the mature operation model of WeWork.



In the morning of 6 December 2017, Sino-Ocean Group, together with WeWork, held a grand signing ceremony at Quanyechang, BeijingFun with Beijing Dashilanr Yongxing Investment Company Limited. WeWork officially marked their presence at BeijingFun.

In the second half of 2017, Sino-Ocean Group and WeWork jointly entered into the agreement on BeijingFun and Baifu International Building, realizing a new mode of cooperation over third-party properties. In the future, this new mode of business will further speed up the development in the co-working industry with WeWork and helps to boost the market share, achieving a win-win situation for both parties.



WeWork Sino-Ocean Tower at Yan'an East Street



遠洋服務

SINO-OCEAN SERVICE 遠洋服務

The customer service segment is one of the five focuses among Sino-Ocean diversified business and it constitutes an important segment in the Group's quest for strategic transformation and profit growth. Currently, the customer service sector of Sino-Ocean covers the business segments of senior living, property management, O2O, asset custody, engineering services, warehousing services and catering.

Capitalizing on strong government support for the service sector, Sino-Ocean explores pathways for developing our customer service business through the upgrade of traditional services, innovation of new service types, development of the retirement care business and retirement home properties, provision of consumer services for the major customers of residential and commercial properties, offering different service types, such as living business services, senior living services and internet innovative services.

養老服務

倉儲服務

醫療健康



長租公寓



社區O2O



餐飲服務



工程服務

物業管理

智慧社區

SINO-OCEAN SERVICE

The customer service sector covers the business segments of property management, senior living, long-term rental apartment, smart community, community O2O, engineering services, warehousing services and catering services.



Senior Living L'Amore

L'Amore is an international retirement care brand of Sino-Ocean, which serves elder people of different age groups and provides all-rounded senior living services.

A service system featured with international standards takes the lead in cultivating senior living quality

L'Amore is committed to creating an all-year-round retirement care service system, allowing senior citizens to enjoy the time during their stay at L'Amore.

Full service cycle 3C product line customizes homeland for the elderly

Sino-Ocean designed and developed the 3C product line of Continuing Living Retirement Community (CLRC), Care Building (CB) and Care Center (CC), aiming to provide services for all levels covering the full life-cycle.

Establishment of L'Amore branches in every city across the nation

Currently, L'Amore has marked its presence in major cities across the nation, namely in Beijing, Shanghai, Guangzhou, Wuhan, Chengdu, Suzhou, Hangzhou, Nanjing, Tianjin, Dalian, Sanya and Haikou.



BEIJING L'Amore Shuangqiao



BEIJING L'Amore Yizhuang



BEIJING L'Amore Qingta



BEIJING L'Amore Beiyuan



BEIJING L'Amore Yutingqiao



SHANGHAI L'Amore Hongwan

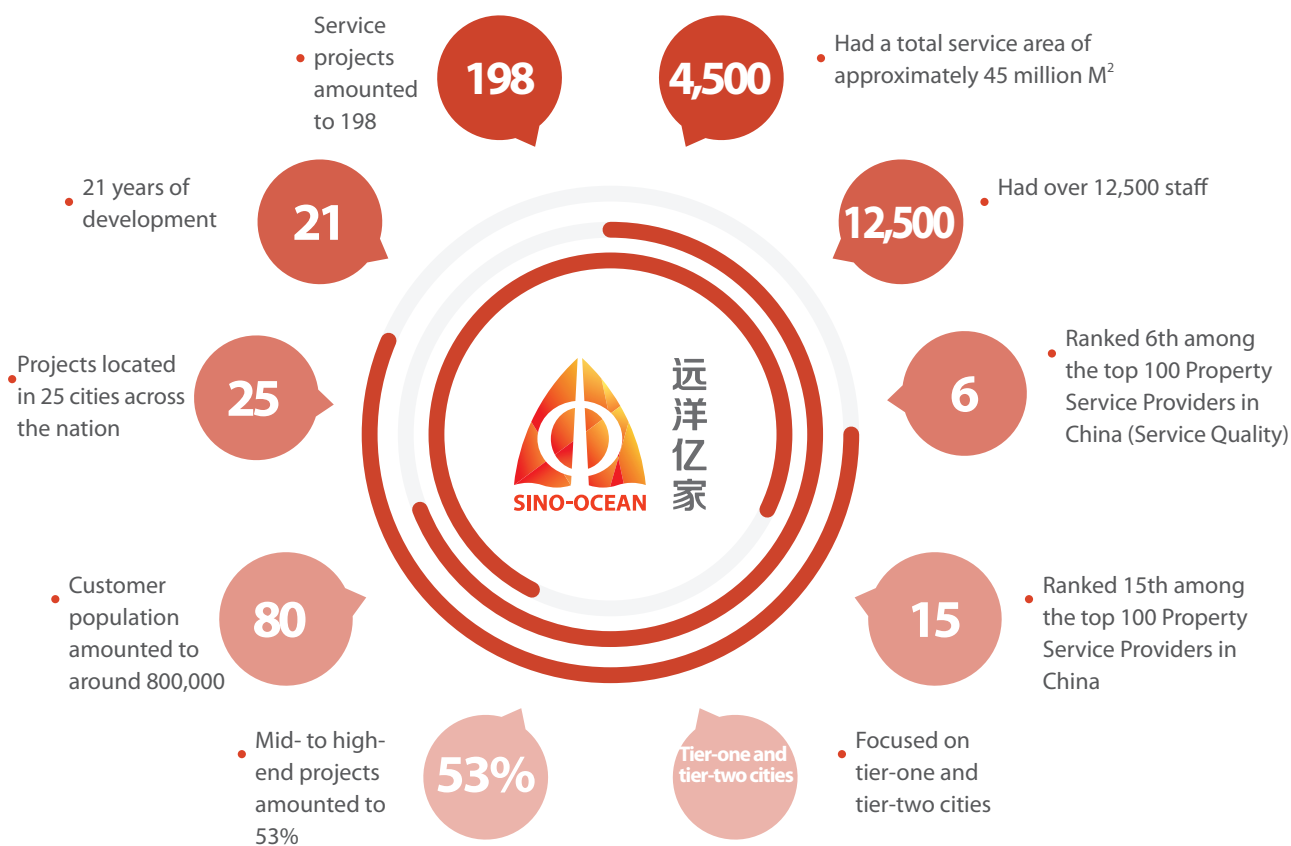


GUANGZHOU L'Amore Xingye

Ocean Homeplus

Ocean Homeplus is one of the first property management companies that obtained a Level One Property Management Qualification in China. Since the establishment of the first property management company in 1997, Ocean Homeplus has a history of 21 years and maintains 198 service projects, with a total service area of approximately 45,000,000 sq.m. scattering around 25 cities across the nation. The number of customers amounted to around 800,000 and the number of staff amounted to over 12,500.

Ocean Homeplus ranked 6th among the top 100 Property Service Providers in China (Service Quality) and the 15th among the top 100 Property Service Providers in China.



Boonself

Boonself is the long-term rental apartment brand operated under Sino-Ocean. We acquired assets through chartering and custody, then repositioned the products by reconstruction and incorporated new elements to the products, giving them a second chance for use.

Boonself operates under the strategies of product standardization, service brand image promotion and living socialization, with the aim of creating a new elite three-dimensional living circle and enhancing customers living experience with the adoption of a “product +services” model. Boonself influences the community with cultural activities, thus strengthening customer loyalty, realizing the objectives of generating stable income from assets and asset appreciation as well as providing a new stable residence for customers.

Currently Boonself has commenced operation in Beijing, Shenzhen, Guangzhou, Hangzhou and Dalian, .





遠洋資本

SINO-OCEAN CAPITAL 遠洋資本

Sino-Ocean will seize opportunities as they arise to solicit public capital and strategic collaboration with shareholders aimed at capital gains, which will be jointly achieved by property investments, equity investments, asset management, overseas investments and others. In addition to investment gains, we also aim to achieve synergies in relation to the working capital and project value.

地產投資

戰略聯動



股權投資

資產管理



海外投資



SINO OCEAN CAPITAL



Property Investment

We take the held-for-sale property investments as our pillar and strategically develop office premises, logistic properties, data properties, senior living properties, long-term rental apartment, commercial properties and existing properties that have been transformed in a value-added way.



Equity Investment

Deep cultivation in four types of businesses: Big data, Comprehensive health, Large logistic and Macro environmental protection

Four major areas of concern: New education, New culture, New property and New finance

Stages of investment: growth stage and mature stage



Asset Management

We offer full service cycle, whole-chained and fully-professional service on property projects for our customers, starting from "pre-positioning, designing and planning, engineering construction and cost management" to "sale of products, tenants attraction and subsequent asset operation and management" while providing property financing services.



Overseas Investment and others

Focuses on major cities in places like North America, Europe and Australia and Hong Kong region

Bases mainly on long-term property investment

Equity participation in innovative companies and asset management companies

◎ Property Investment



SHANGHAI • Sino-Ocean Tower



SHANGHAI • Daning International Plaza



BEIJING • Diamond Plaza

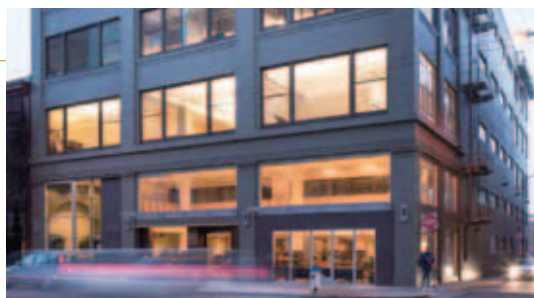


TIANJIN • Autoworld

◎ Overseas Investment and Others



SHENYANG • Bailibao Plaza



SAN FRANCISCO • WeWork Office

◎ Equity Investment



In October 2015, we acquired shares of China Huarong and became the largest cornerstone investor of the Initial Public Offering of its H shares.



In November 2016, we subscribed for the privately placed new shares of Beijing Capital Juda Limited, a company listed in Hong Kong and became its second largest shareholder.



In July 2016, we acquired shares of China Logistics Property and became the cornerstone investor of the Initial Public Offering of its H shares.



In January 2017, we invested in Jiuye Supply Chain.



In May 2017, we invested in ZM Logistics.



In December 2017, we invested in AMCare Women and Children's Hospital.



遠洋營造

SINO-OCEAN CONSTRUCTION 遠洋營造

Sino-Ocean Construction is the service brand under Sino-Ocean Group. It focuses on the achievement of products and the coordination in internal businesses with its base of professional development capability. Being the foundation for the Group's respective competitiveness in different businesses, Sino-Ocean construction is one of our major businesses in the future.

Based on its craftsmanship and artisan spirit as well as the accumulation of technology, Sino-Ocean construction applied standardized management and resources synergy, developed premium healthy buildings and led an enhancement in living environment, with the vision of professional advancement and value maximization. Sino-Ocean construction develops commissioned products with ingenuity and creates values for land with its professionalism.

建筑施工

設計研發

裝飾裝修

園林景觀

產品設計管理

規劃設計



SINO-OCEAN CONSTRUCTION



The main force in undertaking product achievement and honoring the promise we made to our customers on product quality and value

Including 11 product centers in various regions

The R&D department for all the product lines of Sino-Ocean

Including construction design institute and landscape planning institute

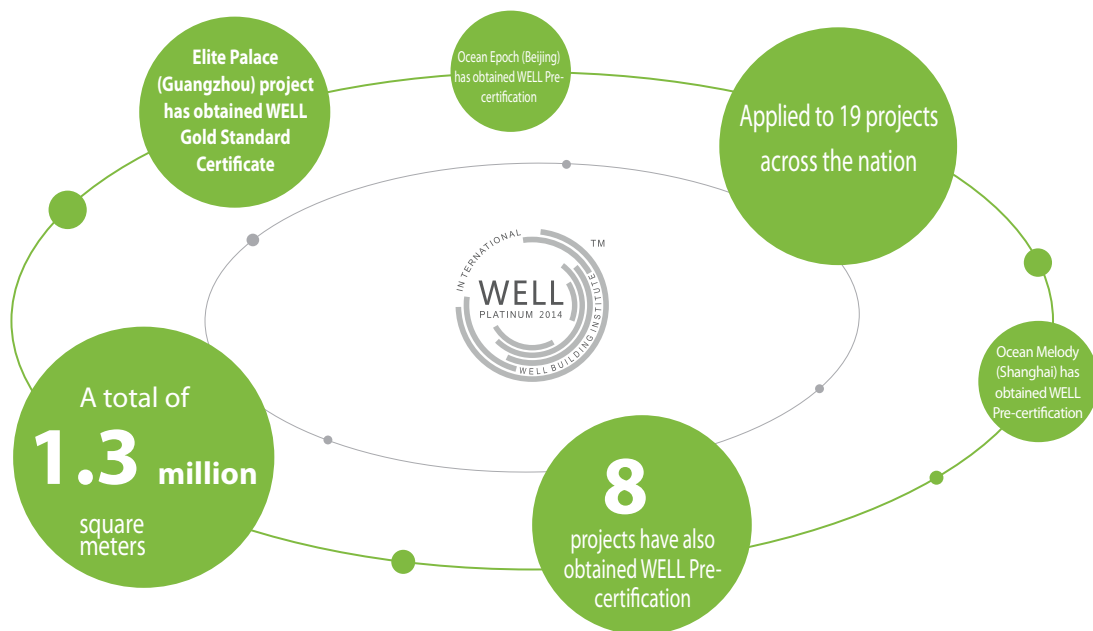
Making use of different professionals and their abilities, we lay a solid foundation in realizing professionalism

Including Sino-Ocean construction, Sino-Ocean garden and Sino-Ocean electrical mechanics

Carrying out the concept of “Home for Healthy Life”, pursuing healthy products and lifestyle, providing healthy services

In 2016, Sino-Ocean announced to start an era of healthy living and widely adopted WELL building standards, making “Health” the product label of Sino-Ocean. In 2017, the vision of healthy building was turning into reality as the year passed and certain projects had been launching gradually.

In terms of the actual implementation progress of the projects, Sino-Ocean has applied the principles of WELL building to 19 projects across the nation, amounting to 1,300,000 square meters in total. The projects cover different sectors, including the business formats of residential, commercial and office premises. Further, we explore the possibilities of healthy building in apartments and senior living services at the same time. Currently, Elite Palace (Guangzhou) project has obtained WELL Gold Standard Certificate and 8 other projects, including Ocean Epoch (Beijing) and Ocean Melody (Shanghai) have also acquired WELL Pre-certification.





In February 2017, the foundation stone-laying ceremony of the WELL living laboratory took place at Sino-Ocean Ying Chuang Wellness Industrial Park (Beijing).



At the end of 2017, Elite Palace (Guangzhou) project underwent the last step in the WELL certification process, which was a strict official performance qualification. On 13 January 2018, the project received an official congratulatory letter issued by WBI indicating that all seven buildings of the first phase met the standards and it was the first project worldwide to receive the WELL MFR (Multi-Functional Residential) Gold Standard Certificate. Elite Palace is the first project that Sino-Ocean Group established in Guangzhou and it was also the first residential project that Sino-Ocean applied for the WELL certification. With dedicated work, we acquired the final certification, which means the healthy environment created by Sino-Ocean not only received the recognition of the property owners, but also the approval of the international and professional institution.



As a department under Sino-Ocean Group, Sino-Ocean Healthy Building R&D center is the first research and technology team in China to introduce and promote WELL building standards, it holds on to the R&D works related to healthy buildings. It formulates and iterates respective results on healthy building implementation policies, healthy landscape 5H system, healthy premium W.E.R. system, sub-product line intelligent 4S+W system and healthcare database in order to foster the effective implementation of healthy building standards by Sino-Ocean, making Sino-Ocean Group a pioneer in healthy building sector.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



Executive Director Mr. LI Ming (李明)

Mr. LI Ming, aged 54, is the Chairman of the Board, an Executive Director, the Chief Executive Officer, Chairman of the Nomination Committee and Chairman of the Investment Committee of the Company. Mr. Li joined the Group as a general manager in July 1997 and became the Chief Executive Officer in August 2006 before serving as the Chairman of the Board since March 2010. Mr. Li also serves as chairman, legal representative, director or general manager of a number of subsidiaries and project companies of the Company. With extensive experience in corporate governance, property development and investment and management of listed companies, Mr. Li is primarily engaged in the overall management of the Company's operations and the implementation of development strategies. Mr. Li has been appointed a non-executive director, honorary chairman of the board and chairman of the nomination committee of Gemini Investments (Holdings) Limited ("Gemini"), an indirect subsidiary of the Company listed on the Stock Exchange in August 2013. Mr. Li is a member of the 13th National Committee of the Chinese People's Political Consultative Conference, the vice-president of the China Real Estate Association ("CREA") and director of the Commercial and Tourism Real Estate Professional Committee of CREA, a member of the Chartered Institute of Building, UK and also a qualified senior engineer. Mr. Li was a member of the 10th and 11th Beijing Municipal Committees of the Chinese People's Political Consultative Conference and deputy to the 13th, 14th and 15th People's Congress of Chaoyang District of Beijing. He was an advisory expert of the Ministry of Housing and Urban-Rural Development at real estate market regulation. Mr. Li graduated from Jilin University of Technology and obtained a bachelor's degree of Engineering in Motor Vehicle Transportation in July 1985, graduated in Civil Law from the Law Faculty of the Graduate School of Chinese Academy of Social Sciences in April 1996, and graduated from the China Europe International Business School and obtained a master's degree in Business Administration in May 1998.



Executive Director Mr. LI Hu (李虎)

Mr. LI Hu, aged 46, is an Executive Director, a member of the Investment Committee of the Board and the Executive President of the Company. Mr. Li joined the Group in March 2016. He was the Vice President of the Company and became the Executive President in January 2018. From June 2013 to April 2016, Mr. Li served as the deputy general manager of the Investment Management Department in China Life Insurance (Group) Company ("China Life Insurance Group"), with extensive experience in investment management and capital operation. Mr. Li is currently engaged in the overall management of the Company's operations, and is principally responsible for the investment management, capital operation and asset management of the Company. Mr. Li obtained a bachelor's degree in Management of National Economy from Xi'an Statistical Institute (西安統計學院) in 1994. Mr. Li is nominated by China Life Insurance Company Limited ("China Life"), a substantial shareholder of the Company.



Executive Director Mr. WANG Yeyi (王葉毅)

Mr. WANG Yeyi, aged 47, is an Executive Director of the Company and a member of the Investment Committee of the Board. Mr. Wang joined the Group in March 2016. Mr. Wang has extensive experience in banking and insurance. He is currently the executive president of Wuhan Dangdai Science & Technology Industry (Group) Co. Ltd. Mr. Wang was a non-executive director of China Logistics Property Holdings Co., Ltd, a company listed on the Stock Exchange, and the chief executive officer of Anbang Insurance Group Co., Ltd. ("Anbang"), a substantial shareholder of the Company. He obtained a doctorate degree in Applied Psychology from Zhejiang University, and is a senior economist.



Executive Director Mr. SUM Pui Ying (沈培英)

Mr. SUM Pui Ying, aged 56, is an Executive Director and the Chief Financial Officer of the Company. He joined the Group in May 2007. Mr. Sum was also the Company Secretary of the Company from May 2007 to March 2014. Mr. Sum is currently an executive director and chief executive officer of Gemini, and serves as legal representative and director of a number of subsidiaries and project companies of the Company. Mr. Sum is primarily engaged in the overall management of the Company's operations and is responsible for the expansion of the Group's overseas business, and comprehensively in charge of Gemini. He is currently a director, honorary treasurer and finance committee chairman of executive committee of China Real Estate Chamber of Commerce Hong Kong and International Chapter Limited. Mr. Sum obtained a professional diploma in Accounting from the Hong Kong Polytechnic University in 1988, a master's degree in Business Administration from the University of Wales in 1991 and a diploma in Legal Studies from the University of Hong Kong in 1996. Mr. Sum is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England & Wales.



Executive Director Mr. WEN Haicheng (溫海成)

Mr. WEN Haicheng, aged 48, is an Executive Director and the Executive President of the Company. He also serves as the legal representative and director of a number of subsidiaries and project companies of the Company. Mr. Wen joined the Group in January 2009. He was the Vice President of the Company and became the Executive President in January 2018. Mr. Wen was also the general manager of the Construction Business Division of China State Construction Engineering Corporation Limited, with extensive experience in engineering construction and project management. Mr. Wen currently assists in the overall management of the Company's operations, and is principally responsible for the non-developmental business operations, overall coordination and risk management, as well as the Board affairs. Mr. Wen obtained a bachelor's degree in Engineering from Chongqing Institute of Architecture and Civil Engineering in July 1992, a master's degree in Engineering from Chongqing Jianzhu University in June 1999, a doctorate degree in Management from Chongqing University in December 2007 and a master's degree in Executive Master of Business Administration from China Europe International Business School in September 2016. Mr. Wen is a Chartered Builder of The Chartered Institute of Building, UK and a senior engineer at professor level.



Executive Director Mr. LI Hongbo (李洪波)

Mr. LI Hongbo, aged 50, is an Executive Director, a member of the Investment Committee of the Board and the Vice President of the Company. He is also the general manager of the asset management centre. In 2006, he became the general manager of the finance department of Sino-Ocean Land Limited, a wholly-owned subsidiary of the Company, and was the assistant to CEO of the Company from 2015 to June 2017. He also serves as director of a number of subsidiaries and project companies of the Company, and has been appointed as a non-executive director of Gemini since October 2010. Mr. Li has over 20 years of experience in accounting, and is currently primarily engaged in the overall management of the Company's operations. He is responsible for the financial management of the Company, and is in charge of the Company's asset management. Mr. Li obtained a bachelor's degree in Engineering from Xi'an Highway Institute (now Chang'an University) in July 1989 and a master's degree in Business Administration from China Europe International Business School in October 2011.



Non-Executive Director Mr. ZHAO Lijun (趙立軍)

Mr. ZHAO Lijun, aged 55, is a Non-Executive Director of the Company and a member of the Audit Committee of the Board. Mr. Zhao joined the Group in October 2016. He is the vice president of China Life. He served various positions in China Life Insurance Group, including the chief financial officer and general manager of the Financial Department. Mr. Zhao graduated from Anhui Finance & Trade College (安徽財貿學院) with a bachelor's degree in Industrial Accounting and Finance under the Accounting Department in 1987 and graduated from Tsinghua University with a master's degree in Executive Master of Business Administration in 2010. Mr. Zhao is a senior accountant. Mr. Zhao is nominated by China Life, a substantial shareholder of the Company.



Non-Executive Director Mr. YAO Dafeng (姚大鋒)

Mr. YAO Dafeng, aged 55, is a Non-Executive Director of the Company and a member of the Audit Committee of the Board. Mr. Yao joined the Group in March 2016. Mr. Yao has extensive experience in banking and insurance, and served various positions in Anbang Property & Casualty Insurance Co., Ltd. and Anbang Life Insurance Co., Ltd. He is currently a director and vice president of Anbang, a non-executive director of China Mingsheng Banking Corp., Ltd., a company listed on the Stock Exchange and the Shanghai Stock Exchange, a director of Gemdale Corporation, a company listed on the Shanghai Stock Exchange, and a director of Tong Yang Life Insurance Co., Ltd., a company listed on the Korea Exchange. He obtained a master's degree in Public Administration from National University of Singapore, and is a senior economist. Mr. Yao is nominated by Anbang, a substantial shareholder of the Company.



Non-Executive Director Mr. FANG Jun (方軍)

Mr. FANG Jun, aged 50, is a Non-Executive Director of the Company and has been appointed as a member of the Investment Committee of the Board since October 2017. Mr. Fang joined the Group in May 2014. He is a doctorate degree holder and a senior economist. He is currently an executive director and vice president of China Life Insurance (Overseas) Company Limited. Prior to that, he served various positions in China Life Insurance Group, including but not limited to the general manager of the Investment Management Department. He was also a non-executive director of CITIC Securities Company Limited, a company listed on the Stock Exchange and the Shenzhen Stock Exchange. He obtained a bachelor's degree in Laws from Renmin University of China in 1991 and a master's degree in Laws and a doctorate degree in Management from the Graduate School of Chinese Academy of Social Sciences in 1996 and 1999, respectively. Mr. Fang is nominated by China Life, a substantial shareholder of the Company.



Non-Executive Director Ms. SHANGGUAN Qing (上官清)

Ms. SHANGGUAN Qing, aged 44, is a Non-Executive Director of the Company. Ms. Shangguan joined the Group in March 2016. Ms. Shangguan served various positions in Anbang Property & Casualty Insurance Co., Ltd., Anbang Life Insurance Co., Ltd. and Hexie Health Insurance Co., Ltd. She is currently the chairman of Anbang Asset Management Co., Ltd and a director of Financial Street Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange. She obtained a master's degree in Business Administration from China Europe International Business School. Ms. Shangguan is nominated by Anbang, a substantial shareholder of the Company.



Independent Non-Executive Director

Mr. HAN Xiaojing (韓小京)

Mr. HAN Xiaojing, aged 63, is an Independent Non-Executive Director of the Company, the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. Mr. Han joined the Group in June 2007. Mr. Han is the founding partner of the Commerce & Finance Law Offices. He has over 25 years' experience in the practice of corporate and securities laws in China, especially in the restructuring of large-scale state-owned enterprises and private companies and offshore listing of Chinese companies. Mr. Han is currently an independent non-executive director of Far East Horizon Limited, a company listed on the Stock Exchange. He has been serving as an independent director of Ping An Bank Co., Ltd., a company listed on the Shenzhen Stock Exchange, since February 2014, an independent director of Beijing Sanju Environmental Protection and New Material Co., Ltd. since April 2014 and an external director of China National Aviation Fuel Group Limited since December 2017. Mr. Han was a supervisor of Beijing Capital International Airport Company Limited and an independent non-executive director of SinoTrans Limited, companies listed on the Stock Exchange, and an independent director of Shenzhen Overseas Chinese Town Holding Company Limited, a company listed on the Shenzhen Stock Exchange. Mr. Han obtained a master's degree in Law from China University of Political Science and Law in 1985.



Independent Non-Executive Director

Mr. SUEN Man Tak (孫文德)

Mr. SUEN Man Tak, aged 59, is an Independent Non-Executive Director of the Company and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Board. He joined the Group in December 2015. Mr. Suen has extensive experience in the enforcement of securities and futures related legislation as well as commercial crime investigations. Mr. Suen had served with the Securities and Futures Commission of Hong Kong (the "SFC") for more than 17 years. He is now a practicing barrister-at-law specializing in litigation and advisory work on the SFO, the Codes on Takeovers and Mergers and Share Buy-backs, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Code of Conduct for Persons Licensed by or Registered with the SFC, market misconduct, white collar crimes and anti-money laundering activities. Mr. Suen was an independent non-executive director of Neo-Neon Holdings Limited, a company listed on the Stock Exchange, from August 2013 to September 2014. He also acted as an executive director and non-executive director of Upbest Group Limited, a company listed on the Stock Exchange from April 2007 to June 2012 and from June 2012 to December 2015, respectively. Mr. Suen is a member of the Board of Review under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) since 1 July 2014. Mr. Suen received his master's degree in Accountancy from the Charles Sturt University, Australia in September 1996. He further obtained a degree of Juris Doctor in July 2010 and a postgraduate certificate in Laws in July 2011, both from the City University of Hong Kong. He was called to the Hong Kong Bar in February 2013. He has been a member of the Hong Kong Institute of Certified Public Accountants since July 1998 and a member of the Hong Kong Securities and Investment Institute since April 1999.



Independent Non-Executive Director

Mr. WANG Zhifeng (王志峰)

Mr. WANG Zhifeng, aged 62, is an Independent Non-Executive Director of the Company and a member of the Nomination Committee and Remuneration Committee of the Board. Mr. Wang joined the Group in March 2016. He is currently the retired cadre of the head office of Agricultural Bank of China Limited (the "Agricultural Bank", and together with its subsidiaries, the "Agricultural Bank Group"). Mr. Wang joined the Agricultural Bank Group in August 1978 and has over 37 years' experience in finance and management. Mr. Wang also served as the head and the secretary of the Communist Party Committee of Dalian Branch of the Agricultural Bank and a supervisor of Agricultural Bank of China Financial Leasing Co., Ltd. Mr. Wang is an independent non-executive director of Dalian Port (PDA) Company Limited, a company listed on the Stock Exchange, since October 2014. He graduated from Shenyang Agricultural College with master's degree in Economic Management, and is a senior economist.



Independent Non-Executive Director

Mr. JIN Qingjun (靳慶軍)

Mr. JIN Qingjun, aged 60, is an Independent Non-Executive Director of the Company and a member of the Audit Committee and Investment Committee of the Board. Mr. Jin joined the Group in March 2016. He is currently the senior partner of King & Wood Mallesons, Beijing. His major areas of practice include securities, finance, investment, corporate and insolvency, as well as foreign-related legal affairs. Mr. Jin has been appointed as an independent non-executive director of Bank of Tianjin Co., Ltd., a company listed on the Stock Exchange and Zhong Fa Zhan Holdings Limited, a company listed on the Stock Exchange, in 2017. He currently also serves as an independent non-executive director of Times Property Holdings Limited, a company listed on the Stock Exchange, and Guotai Junan Securities Co., Ltd., a company listed on the Stock Exchange and the Shanghai Stock Exchange, a director of Konka Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, and an external supervisor of China Merchants Bank Co., Ltd., a company listed on the Stock Exchange and the Shanghai Stock Exchange. Mr. Jin was an independent director of Gemdale Corporation, a company listed on the Shanghai Stock Exchange and Masterwork Machinery Co., Ltd., a company listed on the Shenzhen Stock Exchange, and an independent non-executive director of China International Marine Containers (Group) Co., Ltd., a company listed on the Stock Exchange and the Shenzhen Stock Exchange. He obtained a master's degree in Law from China University of Political Science and Law.



Independent Non-Executive Director

Ms. Lam Sin Lai Judy (林倩麗)

Professor Lam Sin Lai Judy, aged 62, is an Independent Non-Executive Director of the Company, the Chairman of the Audit Committee and a member of the Investment Committee of the Board. Professor Lam joined the Group in August 2017. She is currently a senior consultant of the Institute of New Economic Thinking. She has been appointed as the chancellor and board director of Wuhan College from 2015 to June 2017 and has been appointed as the board director and the chairman of the committee on education strategy since 2018. Professor Lam was the former vice president (International and Executive Education) of the Hong Kong Polytechnic University ("PolyU") and chair professor of accounting at PolyU from March 2010 to February 2014, and became the first scholar in Hong Kong who was awarded a PhD in accounting at The Chinese University of Hong Kong in 1994. Professor Lam is the first Cheung Kong chair professor in accounting engaged by the Ministry of Education of the PRC in Xiamen University. She also holds positions as honorary professor and visiting professor at several universities in Mainland China. She has been appointed as a visiting scholar of the Sloan School of Management of the Massachusetts Institute of Technology in the United States from 2007 to 2008. Appointed by the Hong Kong SAR Government, Professor Lam served as a member of the Research Grants Council from 2008 to 2014, and served as a member of the University Grants Committee from 2008 to 2013. From 2001 to 2004, Professor Lam was elected as a council member of the Hong Kong Institute of Certified Public Accountants and also served as the vice-chairman of Corporate Governance Committee of Hong Kong Institute of Certified Public Accountants. From 2005 to 2014, Professor Lam was an independent non-executive director of CLP Holdings Limited, a company listed on the Stock Exchange. From 2005 to 2011, Professor Lam served as an independent non-executive director of China Vanke Co., Ltd., a company then listed on the Shenzhen Stock Exchange, which has also been listed on the Stock Exchange since 2014, and as its consultant from 2011 to 2013. She is a fellow member of the Hong Kong Institute of Certified Public Accountants, a chartered professional accountant and chartered accountant of the Chartered Professional Accountants of British Columbia (formerly known as The Institute of Chartered Accountants of British Columbia), a fellow member of The Institute of Chartered Secretaries and Administrators, a fellow member of The Hong Kong Institute of Chartered Secretaries, a fellow member of CPA Australia and a member of The Institute of Chartered Accountants in England and Wales.

SENIOR MANAGEMENT

● Mr. CHEN Zuyuan (陳祖元)

Mr. CHEN Zuyuan (陳祖元), aged 56, is the Executive President of the Company. Mr. Chen joined the Group in February 2003. With extensive experience in property development and planning and design, Mr. Chen is currently primarily responsible for the overall management of the Company's operations and is responsible for the operation of the Group's development business and the overall coordination of the related projects and regions, as well as the development of substantial projects and overall coordination. Mr. Chen graduated with a bachelor's degree in Industrial and Civil Construction from the Hunan University in July 1983 and graduated with a master's degree in Business Administration from the China Europe International Business School in September 2006.

● Mr. CUI Hongjie (崔洪杰)

Mr. CUI Hongjie (崔洪杰), aged 45, is the Vice President of the Company, and also the general manager of the product construction department. Mr. Cui joined the Group in August 1996. With over 20 years of experience in operation of property development and engineering construction, Mr. Cui is currently primarily responsible for the overall management of the Company's operations and in charge of managing the design, engineering, cost, quality and safety of the Group's products. Mr. Cui obtained a master's degree in Structural Engineering from Beijing University of Technology, and is a member of the Royal Institution of Chartered Surveyors.

● Mr. CHEN Wei (陳偉)

Mr. CHEN Wei (陳偉), aged 33, is the Vice President of the Company, and also the general manager of development department I. Mr. Chen joined the Group in July 2006 and has served as the general manager of the development management department, general manager of the Tianjin Company, general manager of development department I and an assistant to CEO of the Company. Mr. Chen is currently primarily engaged in the overall management of the Company's operations and in charge of the management of the marketing and development department I of the Company. Mr. Chen obtained a master's degree in Real Estate Operation and Management from Tsinghua University in 2006.

● Mr. WANG Honghui (王洪輝)

Mr. WANG Honghui (王洪輝), aged 38, is the Vice President of the Company, and also the general manager of the capital operation department. Mr. Wang joined the Group in July 2005 and has served as the investment head for the Beijing region, general manager of the secretarial administration department, general manager of the CEO management centre, general manager of capital operation department and an assistant to CEO of the Company. Mr. Wang is currently primarily engaged in the overall management of the Company's operations and is in charge of the Company's specific investment management, capital operation, as well as responsible for investor relations and corporate finance of the Company. Mr. Wang graduated with a bachelor's degree in Real Estate Operation and Management from Renmin University of China in 2002 and a master's degree in Regional Economics from the Chinese Academy of Social Sciences in 2004.

● Mr. YANG Deyong (楊德勇)

Mr. YANG Deyong (楊德勇), aged 43, is the Vice President of the Company and also the general manager of the customer service department. Mr. Yang joined the Group in April 2007 and has served as the general manager of the Zhongshan (Shenzhen) Company, general manager of the customer service department and an assistant to CEO of the Company. Mr. Yang is currently primarily engaged in the overall management of the Company's operations and is responsible for customer service businesses including property management and senior living business, as well as human resources management and overall administrative management of the Company. Mr. Yang graduated with a bachelor's degree in Labour Economics from Renmin University of China in 1995, a master's degree in Business Administration from Sun Yat-sen University in 2004 and an Executive Master of Business Administration degree from China Europe International Business School in 2015.

● Mr. DING Hui (丁暉)

Mr. DING Hui (丁暉), aged 42, is the Vice President of the Company and also the general manager of the commercial property department. Mr. Ding joined the Group in August 2002, and has served as the general manager of Beijing Yuan Hao Company, general manager of the development management department, general manager of the operational management centre, general manager of the commercial property department and an assistant to CEO of the Company. Mr. Ding is currently primarily engaged in overall management of the Company's operations and is responsible for the property business including commercial property and offices and the overall coordination as well as assisting in product related duties. Mr. Ding graduated with a bachelor's degree in Engineering from Tongji University in 1996 and a master's degree in Structural Engineering from Tsinghua University in 2002.

COMPANY SECRETARY

● Mr. CHUNG Kai Cheong (鍾啟昌)

Mr. CHUNG Kai Cheong (鍾啟昌), aged 39, is the Company Secretary of the Company. Mr. Chung joined the Group in August 2015. With extensive experience in corporate finance and accounting, Mr. Chung is mainly responsible for corporate governance of the Company and the financial management, corporate financing, market research and analysis, and assists investor's relationship in Hong Kong. Mr. Chung obtained a bachelor's degree majoring in Accountancy from The City University of Hong Kong in September 2000. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Chung had worked in an international accounting firm and as a financial controller in listed company in Hong Kong. He has over 17 years of experience in accounting, financial management, corporate finance, auditing and compliance of Listing Rules and regulations in Hong Kong.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Company and of the Group for the year ended 31 December 2017.

PRINCIPAL OPERATIONS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. Its subsidiaries are mainly engaged in mid-to-high end residential development, development, investment and operation of urban complexes and office buildings, property management services, community O2O services, pension industry, logistic properties, long-term rental apartment, real estate funds, equity investments, asset management and overseas investments. The Group is one of the leading property developers with developments in key economic regions in the PRC.

The analysis of the Group's revenue and operating results in its major operation activities is set out in note 6 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement and the consolidated statement of comprehensive income on page 120 and 121 of this annual report respectively.

During the year under review, an interim dividend in respect of the six months ended 30 June 2017 of HKD0.167 per ordinary share and a final dividend in respect of the financial year ended 31 December 2016 of HKD0.12 per ordinary share were paid respectively.

The Board proposed to recommend at the forthcoming annual general meeting of the Company (the "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.

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 period no transfer of ordinary shares will be registered. In order to qualify for attending the forthcoming 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.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in note 28 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2017 amounted to RMB1,148 million.

SHARE CAPITAL

Movements in the share capital of the Company during the year under review and as at 31 December 2017 are set out in note 26 to the consolidated financial statements of this annual report.

ISSUE OF MEDIUM-TERM NOTES AND GUARANTEED CAPITAL SECURITIES

In March 2017, the Company issued the 2017 first tranche medium-term notes in an aggregate amount of RMB4 billion (the "2017 First Tranche Medium-term Notes") in two series: (i) RMB2 billion with coupon rate of 4.77% per year of a term of three years, and (ii) RMB2 billion with coupon rate of 5.05% per year of a term of five years. The net proceeds from the issue of the 2017 First Tranche Medium-term Notes amount to approximately RMB3,979,679,000 and were used for the repayment of the Group's indebtedness and construction of the Group's projects.

In September 2017, the US\$600,000,000 perpetual subordinated guaranteed capital securities (the "Capital Securities") were issued by a wholly-owned subsidiary of the Company (the "Issuer") by way of debt issue to professional investors only and unconditionally and irrevocably guaranteed by the Company. The net proceeds from the issue of the Capital Securities amount to approximately US\$594,672,000 (approximately RMB3,881,840,000) and were on-lent by the Issuer to the Company and/or its subsidiaries for general corporate purposes in accordance with applicable laws and regulations.

The reasons for the issues of the 2017 First Tranche Medium-term Notes and the Capital Securities are to expand finance channels, reduce cost of funding and improve debt structure of the Group. Details of the 2017 First Tranche Medium-term Notes and the Capital Securities are set out in notes 32 and 30 to the consolidated financial statements of this annual report respectively.

FIXED ASSETS

Movements in the Group's fixed assets are set out in note 7 to the consolidated financial statements of this annual report.

BORROWINGS AND CAPITALIZATION OF INTERESTS

Details of borrowings are set out in note 32 to the consolidated financial statements of this annual report. Details of the Group's capitalized interest expenses and other borrowing costs during the year under review are set out in note 40 to the consolidated financial statements of this annual report.

DONATIONS

For the year ended 31 December 2017, the Group's donations to charity and other purposes were approximately RMB7.46 million (2016: RMB5.44 million).

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the sections heading "2017 Business Review" and "2018 Company Strategies" under the Chairman's Statement of this annual report respectively. The description of possible risks and uncertainties that the Group may be facing are set out in the sections heading "2018 Market outlook" under the Chairman's Statement, note 4 to the consolidated financial statements and "Other Information" under the Management Discussion & Analysis of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Financial & Operation Highlights on page 6 of this annual report.

ENVIRONMENTAL POLICY AND PERFORMANCE

The implementation of green standards has been a longstanding and consistent tradition at Sino-Ocean. Feasibility assessment and environmental impact assessment for new projects are meticulously conducted in strict accordance with relevant approval procedures. Vigorous efforts have been made to drive green office management in line with the Group's emphasis on the green philosophy, as employees have been encouraged to embrace green practices, such as the use of staircase and the holding of telephone or video conferences, while all employees have received training in energy conservation and environmental matters. In 2016, Sino-Ocean launched an environmental charity project known as "Healthy Office with Green Footprints", aiming to achieve conservation of resources and reduction in emissions in a diligent and accountable manner by enhancing public awareness of the importance of low-carbon lifestyles. In 2017, Sino-Ocean held activities such as tree planting and second-hand item exchanges. For our business, we were the pioneer in the industry to develop healthy and green construction and attained the recognition of "Top 30 Competitive Enterprises in Green Development". We developed energy saving software on our own and entered into eco-education and invested in the broad environmental protection sector. For further information, please refer to the section headed "Concerted Effort in the Protection of Health" in the sustainability report included in this annual report.

STAKEHOLDER RELATIONS

Sino-Ocean appreciates the importance of communications and interaction with its stakeholders, who can be broadly classified into 7 groups: investors, government, employees, customers, environment, business partners and community. Based on reviews of past efforts in the fulfilment of relevant responsibilities and analyses of current conditions in international and domestic developments, Sino-Ocean has endeavoured to achieve sustainable development in economic, social and environmental values in collaboration with these stakeholders.

The Board believes that the support of shareholders and investors is essential. The Group adheres to the best practice in information disclosure in terms of accuracy, transparency and consistency. We are committed to maintaining highly honest, sincere and effective communication. Furthermore, we seek proactive communication with investors in addition to results roadshow. After each general meeting, management reserved time for individual shareholders to voice their opinions and concerns, ensuring all shareholders present were given opportunity to discuss the key issues with our representatives. For further information, please refer to the section headed "Investor Relations" in this annual report.

An enterprise should form initiatives in support of national policies as a means to fulfill government expectations and demands. As a developer which has followed national policies closely and shown a persistent concern for people's livelihood, we have never ceased to supply small-/medium-sized commodity housing at lower prices in response to the government's call while developing projects for our market segments in the Beijing-Tianjin-Hebei region, as we bring the strengths of our specialised skills into full play and help families to realise their dreams in fulfilment of the pledge and social responsibility of a property developer.

We compete on the concerted effort and collective wisdom of our employees. The sustainable development of Sino-Ocean is dependent upon the dedication and mutual progress of all employees. In 2017, the garnering of the titles such as "2017 China Best Employers" given by Dajie.com, "2017 China Best Employers in Real Estate and Construction Sector" given by ChinaHR.com, "Top 30 Northern China Best Employer Award 2017" given by Zhaopin, "Best Employers in Real Estate Industry" given by China Real Estate Association and E-house China as well as "2017 Best Learning Enterprise Award" given by the 10th Real Estate Human Resources Summit and Bozhicheng Real Estate Research has fully demonstrated the powerful brand influence of Sino-Ocean Group as an employer in terms of 6 key dimensions: corporate image, organisational management, brand strategy, training and development, remuneration and work environment.

At Sino-Ocean, we treasure our customers as one of our most important groups of stakeholders and attend to their needs by promoting healthy lifestyles, quality life, amicable neighbor relations and civilized community atmosphere.

In connection with the environment, we have also propositioned the brand concept of “Home for Healthy Life” and committed our efforts to the creation of healthy homes offering green and healthy space for living, in addition to the initiatives described in the section headed “Environmental Policy and Performance” above. For further information, please refer to the section headed “Health Products” in the sustainability report included in this annual report.

We commit to mutual growth and benefit with our business partners and drive them in sustainable development and fulfillment of social responsibility. We have over 10,000 business partners across the nation. We give priority to local suppliers based on the locations of relevant projects and are engaged in regular discussion with business partners. Strategic suppliers are assessed and classified (based on the results of the assessment) on a semi-annual basis, while feedback on cooperation in strategic procurement is collected every other 2 months to ensure timely understanding of the partners’ businesses and developments. We are engaged in the dialogue in corporate social responsibility with a number of longstanding suppliers to exchange our views on accountability and responsible management models, furnishing new insights for our respective performances of social responsibilities. In the meantime, we have also shared the idea of “micro-charity, co-participation and co-sustainability” with our partners, an increasing number of which have joined the Sino-Ocean initiative for joint efforts in charity.

Corporate social responsibility is performed and completed primarily through “Sino-Ocean Charity Foundation”, which serves as the hub for a network of charitable resources with special emphasis on education support. Its specialised platform has effectively integrated our resources and provided the most professional and compliant channel for the charitable donations and joint ventures between us and our partners.

COMPLIANCE WITH LAWS AND REGULATIONS

The real estate industry in China is the core industry which PRC laws, regulations and policies pay much attention to. There are laws and regulations of different level restricting various aspects of the real estate industry, such as the transfer of land use rights, the establishment of property development enterprises, the development and construction of real estate projects, environmental protection and foreign exchange control. The Company recognises the importance of the compliance with the laws and regulations in commercial activities, and the failure to comply with the above could result in serious risk and consequences. The Company has reasonably allocated financial and human resources, in particular, the setting up of the compliance and risk management team, to ensure ongoing compliance with respective requirements of the laws and regulations and the policies. Meanwhile, the Company maintains good relationships with Government regulators through effective communication. During the review year, to the best of our knowledge, the Company has complied with the following salient PRC laws and regulations, namely the Law on Sino-Foreign Equity Joint Ventures, the Foreign-Funded Enterprise Law, the Company Law, the Property Law, the Land Administration Law, the Law of the Administration of Urban Real Estate, the Regulations on Administration of Urban Real Estate Development, the Construction Law, the Environmental Protection Law, Control of Foreign Exchange Regulations and other relevant laws and regulations.

The Company is also committed to the compliance with the following salient laws and regulations in Hong Kong, including but not limited to Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong, “Companies Ordinance”) and Listing Rules and has been working with external professionals to develop internal guidelines and educating its employees so as to ensure that the Group and its employees will adopt business practices that are compliant with the relevant laws from time to time.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 99 to 110 of this annual report.

REMUNERATION POLICY AND RETIREMENT BENEFITS OF THE GROUP

The Group's remuneration system has been determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level of the same industry in the market. The Company offers share options and introduces restricted share award scheme to competitive staff so as to provide staff remuneration package with market competitiveness and to ensure availability of human resources for the sustained development of the Company.

Details of the Group's retirement benefit plans are set out in note 39 to the consolidated financial statements of this annual report.

BASIS OF DETERMINING REMUNERATION TO DIRECTORS

The same remuneration philosophy is applicable to the directors of the Company (the "Director(s)"). Apart from benchmarking against the market, the Company looks at individual experience, qualification and responsibilities involved in the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Directors, including the share option scheme and the restricted share award scheme, similar to those offered to other employees of the Group.

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 248 of this annual report.

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 our Group. Unless early terminated by the Board, the Award Scheme shall continue in full force and effect from the Adoption Date for a term of 10 years.

According to the Award Scheme, the maximum number of shares to be awarded under the Award Scheme is 169,104,822 shares, representing 3% of the issued share capital of the Company as at the Adoption Date. The restricted shares will be purchased by the trustee from the market out of cash contributed by our Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme. The shares awarded to the directors and employees of the Group at no consideration will be vested in three years in which 40% of awarded shares will be vested after one year from the date of award and 7.5% of awarded shares will be vested quarterly thereafter.

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:

● Restricted Shares

| Date of award | Awarded Shares | | | | |
|---------------|------------------------------|----------------------------------|--|---|--------------------------------|
| | Balance as at 1 January 2017 | Shares awarded during the period | No. of shares vested during the period | No. of shares lapsed during the period (note) | Balance as at 31 December 2017 |
| 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.

SHARE OPTION SCHEME

A share option scheme of the Company (the “Share Option Scheme”), which was approved by the shareholders’ written resolutions, is valid and effective for a period of 10 years until 27 September 2017, unless it is terminated early in accordance with the provisions of the Share Option Scheme. Although the Share Option Scheme has expired, the share options already granted under such scheme before its expiration remain valid. Under the Share Option Scheme, the Board may grant share options to eligible employees and directors of the Group. The purpose of the Share Option Scheme is to provide an incentive for employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of our shareholders, and to compensate employees of the Group for their contribution based on their individual performance and that of the Company.

The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 424,286,000 shares, representing 5.59% of the total number of shares of the Company as at the date of this report. Without prior approval from the Company’s shareholders, the number of shares in respect of which share options were granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The share options granted under the Share Option Scheme are exercisable within five years period in which 40% of share options become exercisable after one year from the offer date, 70% of share options become exercisable after two years from the offer date, and all share options become exercisable after three years from the offer date. A consideration of HKD1.00 is payable by each grantee accepting on the grant of share options. Options are exercisable at a price that is determined by the Board, which will not be less than the higher of the closing price of the Company’s shares on the offer date, and the average closing prices of the shares for the five business days immediately preceding the offer date.

During the year under review, no share option was cancelled. Details of movements of share options granted to the Directors, chief executives, and employees of the Group under the Share Option Scheme during the year are as follows:

| | Date of share option granted | Exercise price per share (HKD) | No. of share options outstanding as at 1 January 2017 | No. of share options granted during the year | No. of share options exercised during the year (note i) | No. of share options lapsed during the year | No. of share options outstanding as at 31 December 2017 |
|---|------------------------------|--------------------------------|---|--|---|---|---|
| Directors | | | | | | | |
| Mr. LI Ming | 12 Jan 2012 | 3.57 | 6,280,000 | – | – | (6,280,000) | – |
| | 27 Aug 2015 | 4.04 | 1,800,000 | – | – | – | 1,800,000 |
| | 13 Apr 2016 | 3.80 | 20,000,000 | – | – | – | 20,000,000 |
| Mr. LI Hu | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |
| Mr. WANG Yeyi | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |
| Mr. SUM Pui Ying | 12 Jan 2012 | 3.57 | 2,330,000 | – | – | (2,330,000) | – |
| | 27 Aug 2015 | 4.04 | 800,000 | – | – | – | 800,000 |
| | 13 Apr 2016 | 3.80 | 5,000,000 | – | – | – | 5,000,000 |
| Mr. WEN Haicheng | 12 Jan 2012 | 3.57 | 360,000 | – | – | (360,000) | – |
| | 27 Aug 2015 | 4.04 | 800,000 | – | – | – | 800,000 |
| | 13 Apr 2016 | 3.80 | 5,000,000 | – | – | – | 5,000,000 |
| | 24 Aug 2017 | 4.70 | – | 2,000,000 | – | – | 2,000,000 |
| Mr. LI Hongbo | 27 Aug 2015 | 4.04 | 700,000 | – | – | – | 700,000 |
| | 13 Apr 2016 | 3.80 | 4,000,000 | – | – | – | 4,000,000 |
| | 24 Aug 2017 | 4.70 | – | 2,000,000 | – | – | 2,000,000 |
| Mr. ZHAO Lijun | 24 Aug 2017 | 4.70 | – | 500,000 | – | – | 500,000 |
| Mr. YAO Dafeng | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |
| Mr. FANG Jun | 27 Aug 2015 | 4.04 | 350,000 | – | – | – | 350,000 |
| | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |
| Ms. SHANGGUAN Qing | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |
| Mr. TSANG Hing Lun (Ceased on 4 June 2017) | 27 Aug 2015 | 4.04 | 350,000 | – | – | (210,000) | 140,000 |
| | 13 Apr 2016 | 3.80 | 500,000 | – | – | (300,000) | 200,000 |
| Mr. HAN Xiaojing | 12 Jan 2012 | 3.57 | 600,000 | – | – | (600,000) | – |
| | 27 Aug 2015 | 4.04 | 350,000 | – | – | – | 350,000 |
| | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |

| | Date of share option granted | Exercise price per share (HKD) | No. of share options outstanding as at 1 January 2017 | No. of share options granted during the year | No. of share options exercised during the year (note i) | No. of share options lapsed during the year | No. of share options outstanding as at 31 December 2017 |
|----------------------|------------------------------|--------------------------------|---|--|---|---|---|
| Mr. SUEN Man Tak | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |
| Mr. WANG Zhifeng | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |
| Mr. JIN Qingjun | 13 Apr 2016 | 3.80 | 500,000 | – | – | – | 500,000 |
| Ms. LAM Sin Lai Judy | 24 Aug 2017 | 4.70 | – | 500,000 | – | – | 500,000 |
| Subtotal | | | 53,720,000 | 5,000,000 | – | (10,080,000) | 48,640,000 |
| Employees | 12 Jan 2012 | 3.57 | 24,405,672 | – | – | (24,405,672) | – |
| | 27 Aug 2015 | 4.04 | 66,076,000 | – | (23,314,500) | (3,080,000) | 39,681,500 |
| | 13 Apr 2016 | 3.80 | 139,484,000 | – | (27,414,500) | (4,200,000) | 107,869,500 |
| | 24 Aug 2017 | 4.70 | – | 48,800,000 | – | (1,600,000) | 47,200,000 |
| Subtotal | | | 229,965,672 | 48,800,000 | (50,729,000) | (33,285,672) | 194,751,000 |
| Total | | | 283,685,672 | 53,800,000 | (50,729,000) | (43,365,672) | 243,391,000 |

Notes:

- (i) During the year ended 31 December 2017, 50,729,000 share options were exercised and weighted average closing price of shares of the Company immediately before the dates of exercise was approximately HKD5.06 per share.

The average fair value of 53,800,000 share options granted on 24 August 2017 is HKD1.057621 per option. In determining the fair value of share options, the Binomial Model has been used and the following variables have been applied to the model:

| Measurement date | 24 August 2017 |
|---|----------------|
| Variables | |
| — the expected volatility | 37.97% |
| — the annual risk-free interest rate | 1.295% |
| — the expected dividend yield | 4.65% |
| — the expected life from the measurement date | 5 years |

Notes:

- (i) The closing price per share immediately before 24 August 2017, the date of granting the options, was HKD4.06.
- (ii) The expected volatility was determined based on the historical volatility of the underlying security.
- (iii) Risk-free rate was reference to the yield rate of the generic Hong Kong government bonds with duration similar to the expected life of the options.
- (iv) The expected dividend yield is with reference to the historical dividend.

The values of share options are subject to (i) the subjectivity and uncertainty relating to the assumptions to which such values are subject; and (ii) the limitation of the model used to estimate such values.

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

Save as disclosed in the section headed "Restricted Share Award Scheme" in this report, 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.

DIRECTORS

The table below sets out certain information on the members of the Board during the year under review and up to the date of this report:

| Name | Position |
|----------------------|--|
| Mr. LI Ming | Chairman and Executive Director |
| Mr. LI Hu | Executive Director |
| Mr. WANG Yeyi | Executive Director |
| Mr. SUM Pui Ying | Executive Director |
| Mr. WEN Haicheng | Executive Director |
| Mr. LI Hongbo | Executive Director |
| Mr. ZHAO Lijun | Non-executive Director |
| Mr. YAO Dafeng | Non-executive Director |
| Mr. FANG Jun | Non-executive Director |
| Ms. SHANGGUAN Qing | Non-executive Director |
| Mr. TSANG Hing Lun | Independent Non-executive Director (Ceased on 4 June 2017) |
| Mr. HAN Xiaojing | Independent Non-executive Director |
| Mr. SUEN Man Tak | Independent Non-executive Director |
| Mr. WANG Zhifeng | Independent Non-executive Director |
| Mr. JIN Qingjun | Independent Non-executive Director |
| Ms. LAM Sin Lai Judy | Independent Non-executive Director (Appointed on 14 August 2017) |

Brief biographical details of the Directors and senior management are set out on pages 78 to 83 of this annual report.

DIRECTORS OF SUBSIDIARIES

List of directors of subsidiaries of the Company during the year ended 31 December 2017 is posted on the website of the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without the payment of compensation other than statutory compensation.

PERMITTED INDEMNITY

The Articles of Association of the Company (the "Articles") provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save for the share options granted pursuant to the Share Option Scheme and the restricted shares awarded pursuant to the Award Scheme as set out above, at no time during the year under review, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

◎ Long position in the shares and the underlying shares of equity derivatives of the Company

| Name of Directors | Nature of interest | No. of ordinary shares held (long position) | No. of underlying shares comprised in share options (note i) | Restricted shares (note ii) | Total | Percentage in the Company's issued share capital |
|----------------------|--------------------------------|---|--|-----------------------------|-------------|--|
| Mr. LI Ming | Founder of discretionary trust | 127,951,178 (note iii) | – | – | 127,951,178 | 1.691% |
| | Beneficiary of trust | 11,730,874 (note iv) | – | – | 11,730,874 | 0.155% |
| | Beneficial owner | 3,127,000 | 21,800,000 | 3,183,326 | 28,110,326 | 0.372% |
| Mr. LI Hu | Beneficial owner | 37,500 | 500,000 | 467,500 | 1,005,000 | 0.013% |
| Mr. WANG Yeyi | Beneficial owner | – | 500,000 | 120,000 | 620,000 | 0.008% |
| Mr. SUM Pui Ying | Beneficial owner | 2,557,351 | 5,800,000 | 999,149 | 9,356,500 | 0.124% |
| Mr. WEN Haicheng | Beneficial owner | 1,572,552 | 7,800,000 | 986,285 | 10,358,837 | 0.137% |
| Mr. LI Hongbo | Beneficial owner | 215,371 | 6,700,000 | 249,230 | 7,164,601 | 0.095% |
| Mr. ZHAO Lijun | Beneficial owner | – | 500,000 | 60,000 | 560,000 | 0.007% |
| Mr. YAO Dafeng | Beneficial owner | – | 500,000 | 120,000 | 620,000 | 0.008% |
| Mr. FANG Jun | Beneficial owner | 132,650 | 850,000 | 85,350 | 1,068,000 | 0.014% |
| Ms. SHANGGUAN Qing | Beneficial owner | – | 500,000 | 120,000 | 620,000 | 0.008% |
| Mr. HAN Xiaojing | Beneficial owner | 373,000 | 850,000 | 87,000 | 1,310,000 | 0.017% |
| Mr. SUEN Man Tak | Beneficial owner | 37,500 | 500,000 | 82,500 | 620,000 | 0.008% |
| Mr. WANG Zhifeng | Beneficial owner | 37,500 | 500,000 | 82,500 | 620,000 | 0.008% |
| Mr. JIN Qingjun | Beneficial owner | 37,500 | 500,000 | 82,500 | 620,000 | 0.008% |
| Ms. LAM Sin Lai Judy | Beneficial owner | – | 500,000 | – | 500,000 | 0.007% |

Notes:

- (i) The share options were granted pursuant to the Share Option Scheme, the details of which are set out as above in the paragraph headed "Share Option Scheme".
- (ii) The restricted shares were granted pursuant to the Award Scheme, the details of which are set out as above in the paragraph headed "Restricted Share Award Scheme".
- (iii) The 127,951,178 shares are held by a discretionary trust of which Mr. LI Ming is the founder.
- (iv) The 11,730,874 shares are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.

⊙ Long position in the shares and the underlying shares of equity derivatives of the associated corporation(s)

| Name of Directors | Name of associated corporation | Nature of interest | Date of share option granted | Exercise period | Exercise price per share (HKD) | No. of underlying shares of associated corporation comprised in share options | No. of ordinary shares of associated corporation held (long position) | Percentage of total issued share capital of associated corporation |
|-------------------|---------------------------------------|--------------------|------------------------------|-----------------------------|--------------------------------|---|---|--|
| Mr. LI Ming | Gemini Investments (Holdings) Limited | Beneficial owner | 9 August 2013 | 9 August 2013–22 June 2021 | 0.96 | 4,000,000 | – | 0.887% |
| Mr. SUM Pui Ying | Gemini Investments (Holdings) Limited | Beneficial owner | 26 August 2011 | 26 August 2011–22 June 2021 | 1.40 | 2,000,000 | – | 0.443% |
| | | | 9 August 2013 | 9 August 2013–22 June 2021 | 0.96 | 16,000,000 (note i) | – | 3.548% |
| Mr. WEN Haicheng | Gemini Investments (Holdings) Limited | Beneficial owner | – | – | – | – | 70,000 | 0.016% |
| Mr. LI Hongbo | Gemini Investments (Holdings) Limited | Beneficial owner | 9 August 2013 | 9 August 2013–22 June 2021 | 0.96 | 1,000,000 | – | 0.222% |
| | | | 9 March 2015 | 9 March 2015–22 June 2021 | 1.27 | 500,000 | – | 0.111% |

Note:

- (i) These share options were granted to Mr. SUM Pui Ying pursuant to the terms of a service contract entered into between Mr. SUM Pui Ying and Gemini Investments (Holdings) Limited ("Gemini") on 9 August 2013. Share options granted to Mr. SUM Pui Ying to subscribe for a total of 4,000,000 shares in Gemini had already been vested following the approval of the service contract by shareholders of Gemini on 16 September 2013. The share options to subscribe for the remaining 12,000,000 shares in Gemini (the "Remaining Options") shall be vested on the basis that one third of the Remaining Options will be vested on the first, second and third anniversaries of 9 August 2013 (being the date of commencement of the term of the service contract), such that the Remaining Options were fully vested on 9 August 2016.

Save as disclosed above, as at 31 December 2017, none of the Directors nor the chief executives of the Company or their associates had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2017, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and chief executives of the Company:

| Name of shareholders | Capacity | Long/short position | No. of ordinary shares held | Percentage in the Company's issued share capital |
|--|------------------------------------|---------------------|-----------------------------|--|
| China Life Insurance (Group) Company (note i) | Interest of controlled corporation | Long | 2,253,459,151 | 29.79% |
| Anbang Insurance Group Co., Ltd. (note ii) | Interest of controlled corporation | Long | 2,252,646,115 | 29.78% |
| Anbang Asset Management (Hong Kong) Co. Limited (note iii) | Investment Manager | Long | 2,252,646,115 | 29.78% |

Notes:

- (i) The 2,253,459,151 shares were registered in the name of, and beneficially owned by, China Life Insurance Company Limited. China Life Insurance (Group) Company was interested in 68.37% of China Life Insurance Company Limited. China Life Insurance (Group) Company was deemed to be interested in these shares by virtue of the SFO.
- (ii) The 1,352,197,115 shares and 900,449,000 shares were registered in the name of, and beneficially owned by, Anbang Insurance Group Co., Ltd. and Anbang Property & Casualty Insurance Co., Ltd. respectively. Anbang Property & Casualty Insurance Co., Ltd. was owned as to 48.92% and 48.65% by Anbang Insurance Group Co., Ltd. and Anbang Life Insurance Co., Ltd. (安邦人壽保險股份有限公司) respectively. Anbang Insurance Group Co., Ltd. was interested in 99.98% of Anbang Life Insurance Co., Ltd. Anbang Insurance Group Co., Ltd. was deemed to be interested in these shares by virtue of the SFO.
- (iii) The 2,252,646,115 shares were managed by Anbang Asset Management (Hong Kong) Co. Limited. Anbang Asset Management (Hong Kong) Co. Limited was wholly-owned by Anbang Property & Casualty Insurance Co., Ltd. which was an indirect subsidiary of Anbang Insurance Group Co., Ltd. as detailed in note (ii) above. Anbang Asset Management (Hong Kong) Co. Limited was deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, no person or corporation had any interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The Group's principal operation is property development. During the year under review, purchases from the Group's five largest suppliers (excluding land supply) accounted for less than 30% of the total purchases for the year.

The Group's major products are principally commodity housings, and its major customers bases are general individual home buyers, involving a relatively large number of customers. During the year under review, sales to the Group's five largest customers accounted for less than 30% of the turnover for the year.

As far as the Directors are aware, neither the Directors, their close associates, nor the substantial shareholders had any interest in the five largest customers and suppliers of the Group.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Save as the related party transactions as set out in note 50 to the consolidated financial statements which were fully exempt from the disclosure requirements in accordance with Chapter 14A of the Listing Rules, the Group did not enter into any connected or continuing connected transactions during the financial year ended 31 December 2017.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company had entered into a facility agreement (the "Facility Agreement"), namely, a 3-year term loan facilities in a principal of USD800 million or its equivalent in other currencies dated 24 June 2014. Under the Facility Agreement, it would constitute an event of default if China Life is no longer as the single largest beneficial shareholder of the Company or no longer maintain (directly or indirectly) beneficially not less than 25% of the issued share capital of the Company. On and at any time after the occurrence of an event of default, the lenders may (i) cancel the facility available under the Facility Agreement with immediate effect; (ii) declare that all or part of the loan outstanding together with accrued interest and all other amounts accrued or outstanding be immediately due and payable; (iii) declare that all or part of the loans be payable on demand; and/or (iv) instruct the security agent to enforce all or any of the security documents and/or to preserve the security constituted by any security document and/or to exercise any right, power and remedy available to the security agent under any security document. The loan facility under the Facility Agreement was fully repaid in June 2017.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2017, the aggregate amount of financial assistance to affiliated companies by the Group in aggregate exceeded 8% of the assets ratios as defined in Rule 14.07(1) of the Listing Rules.

In accordance with the requirements under Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of the affiliated companies as at 31 December 2017 is presented as follows:

| | RMB million |
|-------------------------|--------------|
| Non-current assets | 11,245 |
| Current assets | 42,256 |
| Current liabilities | (29,042) |
| Non-current liabilities | (20,197) |
| Net assets | 4,262 |

The Group's attributable interest in the affiliated companies as at 31 December 2017 amounted to RMB2,109 million.

The proforma combined statement of financial position of the affiliated companies has been prepared by combining their statement of financial position, after making adjustments to conform with the Group's significant accounting policies as at 31 December 2017.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for reappointment, at the forthcoming AGM.

EVENTS AFTER THE BALANCE SHEET DATE

On 25 January 2018 and 9 February 2018, the Company successfully issued medium-term notes 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.

By order of the Board

LI Ming
Chairman

Hong Kong, 21 March 2018

CORPORATE GOVERNANCE REPORT

COMMITMENT TO CORPORATE GOVERNANCE

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company. The management of the Group also actively observes the latest corporate governance developments in Hong Kong and overseas.

● Corporate governance practices

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 herein.

The roles of the chairman (the "Chairman") and the chief executive officer ("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 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 of the Company, to 14 August 2017,

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2017.

the date of appointment of Independent Non-executive Director of the Company, 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 independent non-executive director ("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.

● Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Code of Conduct during the year under review.

THE BOARD

⊙ Responsibilities

The Board, led by the Chairman, is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. During the year under review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the interim results for the six months ended 30 June 2017 and the final results for the year ended 31 December 2017, approved the Group's major acquisitions and other critical business operations, assessed the internal control and the financial matters of the Group.

The Board is collectively responsible for performing corporate governance duties including:

- (a) to develop, review and implement the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the Code of Conduct applicable to employees and Directors; and
- (e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

⊙ Board composition

As at 31 December 2017, the Board comprised fifteen Directors, including six Executive Directors, Mr. LI Ming (Chairman), Mr. LI Hu, Mr. WANG Yeyi, Mr. SUM Pui Ying, Mr. WEN Haicheng and Mr. LI Hongbo; four Non-executive Directors, Mr. ZHAO Lijun, Mr. YAO Dafeng, Mr. FANG Jun and Ms. SHANGGUAN Qing; and five INEDs, Mr. HAN Xiaojing, Mr. SUEN Man Tak, Mr. WANG Zhifeng, Mr. JIN Qingjun and Ms. LAM Sin Lai Judy.

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of the Directors of this annual report.

Save as disclosed in the section headed “Biographies of Directors and Senior Management”, the Directors have no other financial, business, family or other material/relevant relationships with one another.

(i) *Chairman and Chief Executive Officer*

As disclosed in the section headed “Corporate governance practices” in this report, the responsibilities of the Chairman and the CEO are vested in one person, Mr. LI Ming. However, all major decisions are made in consultation with the Board and the senior management of the Company. There are five INEDs and four Non-executive Directors on the Board. The Board considers that there is sufficient balance of power and that the current arrangement maintains a strong management position and also facilitates the ordinary business activities of the Company. The Board will review the current structure from time to time and make any necessary arrangements as appropriate.

(ii) *Non-executive Directors and Independent Non-executive Directors*

The functions of Non-executive Directors should include:

- (a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, remuneration, nomination and investment committees, if invited; and

- (d) scrutinising the issuer’s performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Company has received annual confirmations from all INEDs, namely Mr. HAN Xiaojing, Mr. SUEN Man Tak, Mr. WANG Zhifeng, Mr. JIN Qingjun and Ms. LAM Sin Lai Judy, in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs are independent parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgements.

Mr. ZHAO Lijun and Mr. FANG Jun, both are Non-executive Directors, have agreed not to receive the Director’s fees of HKD350,000, and HKD350,000 respectively during the year under review.

● Appointment, re-election and removal of Directors

Pursuant to the letters of appointment, all Non-executive Directors and INEDs are appointed for an initial term of one year and to be renewed annually subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

Pursuant to the Articles, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company, and shall be eligible for re-election. Every Director, including Non-executive Directors, is subject to retirement by rotation at least once every three years. One-third of the Directors must retire from office at each AGM and their re-election is subject to the approval of shareholders.

☉ Meetings

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. During the year under review, the Board convened five meetings to approve interim and final results announcement, financial reports and connected party transactions, to recommend or declare dividends and to discuss the overall strategy and monitor financial and operation performance of the Company.

The attendance of each individual Director at the board meetings, AGM and extraordinary general meeting ("EGM") during the year under review is set out in the following table:

| Directors | Number of meeting attended/held | | |
|--|---------------------------------|-----|-----|
| | Board Meeting | AGM | EGM |
| Mr. LI Ming | 3/5 | 0/1 | 2/2 |
| Mr. LI Hu | 5/5 | 1/1 | 2/2 |
| Mr. WANG Yeyi | 4/5 | 1/1 | 0/2 |
| Mr. SUM Pui Ying | 5/5 | 1/1 | 2/2 |
| Mr. WEN Haicheng | 5/5 | 1/1 | 2/2 |
| Mr. LI Hongbo | 5/5 | 0/1 | 0/2 |
| Mr. ZHAO Lijun | 5/5 | 0/1 | 0/2 |
| Mr. YAO Dafeng | 3/5 | 0/1 | 0/2 |
| Mr. FANG Jun | 5/5 | 1/1 | 1/2 |
| Ms. SHANGGUAN Qing | 3/5 | 0/1 | 0/2 |
| Mr. TSANG Hing Lun (Ceased on 4 June 2017) | 2/2 | 1/1 | 0/0 |
| Mr. HAN Xiaojing | 5/5 | 0/1 | 0/2 |
| Mr. SUEN Man Tak | 4/5 | 1/1 | 0/2 |
| Mr. WANG Zhifeng | 5/5 | 0/1 | 0/2 |
| Mr. JIN Qingjun | 5/5 | 0/1 | 1/2 |
| Ms. LAM Sin Lai Judy (Appointed on 14 August 2017) | 2/2 | 0/0 | 1/2 |

Notices of regular Board meetings were given to all Directors at least 14 days before the meetings. For board committee meetings, reasonable notice is generally given.

The agenda of Board meetings are set after consultation with the Chairman. All Directors are given an opportunity to include matters in the agenda. The agenda accompanying board papers are given to all Directors in a timely manner. All Directors are properly briefed on issues arising at any Board meetings by the Chairman.

Minutes of Board meetings and meetings of board committee with details of the matters considered and decisions reached are kept by the company secretary of the Company (the "Company Secretary") and are open for inspection at a reasonable time on reasonable notice by Directors.

All Directors have full and timely access to all relevant information as well as advice and services of the Company Secretary. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

Where 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 would only be dealt with by a Board meeting and only independent Directors who, and whose associates, have no material interest in the transaction would be present at such Board meeting.

The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions.

● Training for Directors

For any newly appointed Director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations as a director under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors, whenever necessary, in order to ensure that they have a proper understanding of the Company's operations and business. To assist their continuous professional development, the Company Secretary recommends relevant seminars and courses for the Directors to attend.

All Directors also understand the importance of continuous professional development. They are committed to participating in suitable training to develop and refresh their knowledge and skills. A record of the training received by the respective Directors are kept and updated by the Company Secretary.

During the year under review, the Directors participated in the following trainings:

| Directors | Type of trainings |
|----------------------|-------------------|
| Mr. LI Ming | A/B/C |
| Mr. LI Hu | A/C |
| Mr. WANG Yeyi | C |
| Mr. SUM Pui Ying | A/C |
| Mr. WEN Haicheng | A/C |
| Mr. LI Hongbo | A/C |
| Mr. ZHAO Lijun | A/C |
| Mr. YAO Dafeng | A/C |
| Mr. FANG Jun | A/C |
| Ms. SHANGGUAN Qing | A/C |
| Mr. HAN Xiaojing | C |
| Mr. SUEN Man Tak | A/B/C |
| Mr. WANG Zhifeng | C |
| Mr. JIN Qingjun | A/B/C |
| Ms. LAM Sin Lai Judy | B/C |

A: attending seminars, conferences and/or forums

B: giving talk at seminar(s) or forum(s)

C: reading professional journals and updates relating to the economy, general business, real estate or director's duties and responsibilities etc.

⊙ Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. During the year under review, no claim had been made against the Directors and the officers of the Company.

BOARD COMMITTEES

The Board has set up four board committees, namely, the audit committee, the remuneration committee, the nomination committee and the investment committee (collectively the "Board Committees"), for overseeing particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The attendance of each individual committee member at the Board Committee meetings during the year under review is set out in the following table:

| Directors | Number of meeting attend/held | | | |
|---|-------------------------------|--------------------------------|------------------------------|------------------------------|
| | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Investment Committee Meeting |
| Mr. LI Ming | – | – | 0/2 | 1/1 |
| Mr. LI Hu | – | – | – | 1/1 |
| Mr. WANG Yeyi | – | – | – | 1/1 |
| Mr. LI Hongbo | – | – | – | 0/1 |
| Mr. ZHAO Lijun | 2/2 | – | – | – |
| Mr. YAO Dafeng | 1/2 | – | – | – |
| Mr. FANG Jun | – | – | – | 1/1 |
| Mr. TSANG Hing Lun (Ceased on 4 June 2017) | 1/1 | – | – | 0/0 |
| Mr. HAN Xiaojing | – | 3/3 | 2/2 | – |
| Mr. SUEN Man Tak | 2/2 | 3/3 | 2/2 | – |
| Mr. WANG Zhifeng | – | 3/3 | 2/2 | – |
| Mr. JIN Qingjun | 2/2 | – | – | 1/1 |
| Ms. LAM Sin Lai Judy (Appointed on 14 August 2017) | 1/1 | – | – | 1/1 |

● Audit Committee

After Mr. TSANG Hing Lun ceased on 4 June 2017 and Ms. LAM Sin Lai Judy was appointed as a member of audit committee of the Company (the "Audit Committee") on 14 August 2017, the Audit Committee consists of three INEDs and two Non-executive Directors of the Company, namely Ms. LAM Sin Lai Judy, Mr. SUEN Man Tak, Mr. JIN Qingjun, Mr. ZHAO Lijun and Mr. YAO Dafeng. Ms. LAM Sin Lai Judy, who has professional qualifications in accountancy, is the Chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company.

The main duties of the Audit Committee are to audit and supervise the financial reporting process of the Group. The Audit Committee is also responsible for considering the appointment and remuneration of the auditors and any matters related to the removal and resignation of the auditors. Their written terms of reference are revised on 13 October 2017 and are available on the websites of the Company and the Stock Exchange.

The Audit Committee held two meetings during the year under review. Executive Directors, senior management and the external auditor of the Company were invited to join the discussions at the meetings.

The tasks, among others, performed by the Audit Committee during the year under review included:

- (i) review of the interim and annual consolidated financial statements;
- (ii) discussion with the external auditors on the issues of, including but not limited to the impact of national macro policies to real estate companies, currency risk, financing structure, land appreciation tax, progress of various projects, joint venture operation, and implementation of new tax rule in the PRC;
- (iii) review of the cash flow projection for 2017 and monitor of the overall financial position of the Group;

- (iv) review of the adequacy and effectiveness of the internal control system and recommendation to the Board for improvement of internal control, credit control and risk management;
- (v) review of the application of the relevant General Accepted Accounting Principles and recommendation to the Board for the adoption of accounting policies;
- (vi) review of the adequacy of the provision for material liabilities and impairment of assets; and
- (vii) meeting with the external auditor in the absence of executive Directors and senior management to discuss issues regarding audit.

● Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") comprises three members, all being INEDs, namely Mr. HAN Xiaojing (the Chairman of the Remuneration Committee), Mr. SUEN Man Tak and Mr. WANG Zhifeng.

The main duties of the Remuneration Committee are to make recommendations and proposals to the Board in respect of the remuneration policies and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board and based on prevailing market conditions.

The Remuneration Committee to determine, with delegated responsibility from the Board, the remuneration package and incentive payment of executive Directors and senior management, including benefits in kind, pension rights and compensation payments. Their written terms of reference are revised on 13 October 2017 and available on the websites of the Company and the Stock Exchange.

The tasks, among others, performed by the Remuneration Committee during the year under review included:

- (i) review and approval of the report of the labour cost for the year ended 31 December 2016 and the budget of the labour cost for the year ended 31 December 2017;
- (ii) review and approval of the report of remuneration packages for senior management for the year ended 31 December 2017;
- (iii) review and approval of the recommendation of grant of restricted shares under the Award Scheme;
- (iv) review and approval of the recommendation of share options granted under the Share Option Scheme;
- (v) review and approval of the recommendation of adoption of new share option scheme; and
- (vi) recommendation to the Board on the remuneration of executive Directors and non-executive Directors.

The remuneration of Directors is determined with reference to their experience, qualifications, responsibilities involved in the Company and the prevailing market conditions. Details of emoluments of Directors for the year under review are set out in note 52(a) to the consolidated financial statements. The emoluments paid to senior management during the year under review were within the following bands:

| | Number of Senior Management |
|------------------------------|-----------------------------|
| Nil to HKD4,000,000 | – |
| HKD4,000,001 to HKD5,000,000 | 5 |
| HKD5,000,001 to HKD6,000,000 | – |
| HKD6,000,001 to HKD7,000,000 | – |
| HKD7,000,001 to HKD8,000,000 | – |
| HKD8,000,001 to HKD9,000,000 | 1 |
| HKD9,000,001 or above | – |

🕒 **Nomination Committee**

The nomination committee of the Company (the “Nomination Committee”) comprises four members, being an Executive Director, Mr. LI Ming, and three INEDs, namely Mr. HAN Xiaojing, Mr. SUEN Man Tak and Mr. WANG Zhifeng. Mr. LI Ming is the Chairman of the Nomination Committee.

The main duties of the Nomination Committee are to nominate candidates for directorship, consider nominations for directorship and make recommendations to the Board in respect of such appointments. If necessary, the Nomination Committee will also convene meetings and submit reports to the Board. Their written terms of reference are revised on 13 October 2017 and available on the websites of the Company and the Stock Exchange.

The tasks, among others, performed by the Nomination Committee during the year under review included to:

- (i) review and recommend the structure, size and composition of the Board and its committees;
- (ii) review the profile of the potential candidate to assess suitability and then make recommendation to the Board;
- (iii) review and recommend the rotation of Directors pursuant to the Articles; and
- (iv) review of human resource management and staff development system.

🕒 **Summary of board diversity policy under Nomination Committee**

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the board diversity policy (the “Board Diversity Policy”) aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

The Nomination Committee will report annually on the composition of the Board under diversified perspectives, and monitor the implementation of this policy to ensure the effectiveness of this policy. As at the date of this report, the Board comprises 15 Directors, two of which are female members. The Board is also characterised by significant diversity, whether considered in terms of gender, nationality, professional background and skills.

🕒 **Investment Committee**

After Mr. TSANG Hing Lun ceased on 4 June 2017 and Ms. LAM Sin Lai Judy and Mr. FANG Jun were appointed as a member of the investment committee of the Company (the “Investment Committee”) on 14 August 2017 and 28 October 2017 respectively, the Investment Committee comprises seven members, being four Executive Directors, namely Mr. LI Ming, Mr. LI Hu, Mr. WANG Yeyi and Mr. LI Hongbo, a Non-executive Director, namely Mr. FANG Jun and two INEDs, namely Mr. JIN Qingjun and Ms. LAM Sin Lai Judy. Mr. LI Ming is the Chairman of the Investment Committee. It will meet at the request of any member of the committee and the head of investment department will also participate in discussions. The Investment Committee is authorized, at the expense of the Company, to seek advice from external professionals or to arrange them to attend the meetings.

The main duties of the Investment Committee are to review the Group’s investment strategy and to examine and make decision on the prospective major investments. Their written terms of reference are revised on 13 October 2017 and available on the websites of the Company and the Stock Exchange.

🕒 **Company Secretary**

The Company Secretary is responsible for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. Moreover, the Company Secretary is responsible for keeping all Directors updated on Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company. During the year under review, the Company Secretary has taken not less than 15 hours of relevant professional training.

🕒 **Accountability and Audit**

The Directors acknowledged their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other price sensitive announcements and other financial disclosures required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company’s ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2017 is set out in the Independent Auditor’s Report on page 113 to 117 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The risk management and internal controls of the Group are designed to help the Group in protecting its assets and information. The presence of risk management and internal controls empowers the Group to implement best business practices in challenging business environments. The Group's risk management and internal controls cover a number of in-house procedures and policies comprising, among others, the relevant financial, operational and compliance controls, handling and dissemination of inside information and risk management functions. The Board requires the management to maintain sound and effective internal controls. Evaluation of the Group's risk management and internal controls and the internal audit are independently conducted by risk management department. They report to Audit Committee twice each year, among others, in any significant findings and effectiveness of the internal audit, risk management and internal control systems. Copy of the minutes of the Audit Committee meeting is presented to the Board meeting for consideration. The Board and Audit Committee considered that the risk management and internal control systems are implemented effectively. Furthermore, the Board, at least annually, reviews the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the reviews of the effectiveness of the Group's risk management and internal control systems cover all material controls, including financial, operational and compliance controls and risk management function. The Board is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). PwC is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC was also engaged to perform a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2017.

For the year ended 31 December 2017, remunerations payable to PwC for the provision of statutory audit services and non-auditing services amounted to RMB8.8 million and RMB2.8 million respectively. The non-auditing services mainly represent review of interim financial information.

CONSTITUTIONAL DOCUMENTS

According to the special resolution passed on the extraordinary general meeting held on 13 October 2017, the Board adopted the New Articles of Association and replace the old Articles of Association. The New Articles of Association allows the Company to:

- (a) align the Articles of Association with the current provisions and requirements under the Companies Ordinance and the Listing Rules;
- (b) enhance the administrative efficiency and facilitate the decision-making process of the Board; and
- (c) reflect the change of English name of the Company from "Sino-Ocean Land Holdings Limited" to "Sino-Ocean Group Holding Limited" and the Chinese name of the Company from "遠洋地產控股有限公司" to "遠洋集團控股有限公司" with effect from 26 May 2016, as disclosed in the announcement of the Company dated 8 June 2016.

Details of the amendments to Articles of Association are set out in the circular dated 12 September 2017. An updated copy of the Articles of Association is posted on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

As one of the measures to safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on every substantial matter, including the election of individual Directors, for shareholders' consideration and voting. Furthermore, the Company regards the AGM or extraordinary general meeting as an important event and the Directors, chairman of each board committee, senior management and external auditors make efforts to attend the AGM or extraordinary general meeting of the Company to address the shareholders' queries. All resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinooceangroup.com) on the same day of the relevant general meetings.

The notice of AGM and extraordinary general meeting specified the place, the date and the time of meeting and, in the case of special business, the general nature of such business shall be sent to Shareholders at least 20 clear business days and 10 clear business days before the meeting respectively.

Shareholder(s) representing at least 5% of the total voting rights of all shareholders of the Company can make a requisition to convene an extraordinary general meeting pursuant to Section 566 of the Companies Ordinance. The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company. Beside, Section 580 and Section 615 of the Companies Ordinance provide that (i) shareholder(s) of the company representing at least 2.5% of the total voting rights of all the shareholders of the Company who have a relevant right vote; or (ii) at least 50 shareholders who have a relevant right to vote can put forward proposals for consideration at a general meeting by sending requests in writing to the Company.

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company for the attention of the Company Secretary.

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster two-way communication amongst the Company, its shareholders and potential investors, the Company has also established an Investor Relations Department to respond to enquiries from shareholders and the public. In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the shareholders and the public. Further information about investor relations is set out in the section headed "Investor Relations" of this annual report.

CORPORATE INFORMATION

DIRECTORS

● Executive Directors

Mr. LI Ming (*Chairman*)
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. TSANG Hing Lun (Ceased on 4 June 2017)
Mr. HAN Xiaojing
Mr. SUEN Man Tak
Mr. WANG Zhifeng
Mr. JIN Qingjun
Ms. LAM Sin Lai Judy (Appointed on 14 August 2017)

AUDIT COMMITTEE

Mr. TSANG Hing Lun (Ceased on 4 June 2017)
Ms. LAM Sin Lai Judy (Appointed on 14 August 2017)
Mr. ZHAO Lijun
Mr. YAO Dafeng
Mr. SUEN Man Tak
Mr. JIN Qingjun

NOMINATION COMMITTEE

Mr. LI Ming
Mr. HAN Xiaojing
Mr. SUEN Man Tak
Mr. WANG Zhifeng

REMUNERATION COMMITTEE

Mr. HAN Xiaojing
Mr. SUEN Man Tak
Mr. WANG Zhifeng

INVESTMENT COMMITTEE

Mr. LI Ming
Mr. LI Hu
Mr. WANG Yeyi
Mr. LI Hongbo
Mr. FANG Jun (Appointed on 28 October 2017)
Mr. TSANG Hing Lun (Ceased on 4 June 2017)
Mr. JIN Qingjun
Ms. LAM Sin Lai Judy (Appointed on 14 August 2017)

COMPANY SECRETARY

Mr. CHUNG Kai Cheong

AUTHORIZED REPRESENTATIVES

Mr. LI Ming
Mr. CHUNG Kai Cheong

REGISTERED OFFICE

Suite 601, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL PLACE OF BUSINESS

31–33 Floor, Tower A
Ocean International Center
56 Dongsihuanzhonglu
Chaoyang District
Beijing PRC

PRINCIPAL BANKERS *(in alphabetical order)*

Agricultural Bank of China, Ltd.
Bank of Beijing Co., Ltd
Bank of China (Hong Kong) Limited
Bank of China Limited
Bank of Communications Co., Ltd.
Bank of Shanghai Co., Ltd.
China Bohai Bank Co., Ltd.
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Zheshang Bank Co., Ltd.
DBS Bank (Hong Kong) Ltd.
Hang Seng Bank Limited
Industrial and Commercial Bank of China, Ltd.
Industrial Bank Co., Ltd.
Ping An Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking
Corporation Limited
Wing Lung Bank Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISOR

Paul Hastings

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 03377

COMPANY WEBSITE

www.sinooceangroup.com

INVESTOR RELATIONS CONTACT

ir@sinooceangroup.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sino-Ocean Group Holding Limited

(Formerly known as Sino-Ocean Land Holdings Limited)

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Sino-Ocean Group Holding Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 118 to 247, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recoverability of entrusted loans to and amounts due from third parties, joint ventures, associates and non-controlling interests
- Valuation of investment properties

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p><i>Recoverability of entrusted loans to and amounts due from third parties, joint ventures, associates and non-controlling interests (collectively, the "Counterparties")</i></p> <p>Refer to note 21 to the consolidated financial statements</p> <p>As at 31 December 2017, the balance of entrusted loans to and amounts due from the Counterparties is RMB37,601 million.</p> <p>Such amounts were provided to the Counterparties for the launch and development of the projects of real estate.</p> <p>The management assessed the recoverability of entrusted loans to and amounts due from the Counterparties based on the Counterparties' capability of repayment, which involved significant judgements and estimates.</p> <p>We focus on this area due to the significance thereof to the consolidated financial statements, and significant judgements and estimates in assessing recoverability of entrusted loans to and amounts due from the Counterparties.</p> | <p>We had interviews with the management to get knowledge of each Counterparty and the status of projects cooperated with or developed by the Counterparties. We performed site visit to the projects of real estate, on a sample basis, to collaborate with the understanding from management.</p> <p>For each entrusted loan to the Counterparties, we checked the actual repayment progress to assess whether it is in line with the repayment schedule of the principal and interest stated in the agreement.</p> <p>For each amount due from the Counterparties, we analysed the aging and checked the payment history and the subsequent repayment.</p> <p>On a sample basis, we obtained the financial information of the Counterparties and analysed the key financial data to assess the financial position of the Counterparties.</p> <p>We found the judgements and estimates made by the management in the assessment of recoverability of entrusted loans to and amounts due from the Counterparties were supportable in light of available evidences.</p> |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p><i>Valuation of investment properties</i></p> <p>Refer to note 9 to the consolidated financial statements</p> <p>The Group's investment properties were measured at fair value and carried at RMB17,280 million as at 31 December 2017 with a fair value gain of RMB440 million for the year then ended. The fair values of investment properties were determined by the Group based on the valuations performed by independent professional valuers (the "Valuers") engaged by the Group.</p> <p>The Group's investment property portfolio represented completed investment properties in Mainland China, Hong Kong and the United States. The valuation of completed investment properties was derived using the income capitalization method and comparison approach, the relevant key assumptions included capitalization rates, prevailing market rents and price per square feet.</p> <p>All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics of the Group.</p> <p>We focus on this area due to the significant quantum to the consolidated financial statements, and relevant key assumptions in valuation involved significant judgements and estimates.</p> | <p>We assessed the competence, capabilities and objectivity of the Valuers.</p> <p>We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied.</p> <p>We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, prevailing market rents and price per square feet by gathering and analysing the data of comparable properties in the market and the characteristics such as location, size, occupancy rate, current rental and age of the Group's properties.</p> <p>We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuers and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations.</p> <p>In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were in the acceptable range.</p> |

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2018

CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December | |
|---|------|--------------------|--------------------|
| | | 2017 RMB'000 | 2016 RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 1,261,388 | 896,922 |
| Land use rights | 8 | 59,535 | 53,788 |
| Investment properties | 9 | 17,279,920 | 16,292,128 |
| Goodwill | 10 | 99,168 | 128,227 |
| Investments in joint ventures | 12 | 14,720,119 | 10,859,178 |
| Investments in associates | 13 | 4,562,962 | 3,018,922 |
| Available-for-sale financial assets | 16 | 3,708,978 | 3,653,653 |
| Trade and other receivables and prepayments | 21 | 8,985,682 | 9,419,822 |
| Deferred income tax assets | 33 | 979,095 | 1,110,453 |
| | | 51,656,847 | 45,433,093 |
| Current assets | | | |
| Prepayments for land use rights | 20 | 7,507,699 | 5,983,061 |
| Properties under development | 18 | 47,767,443 | 33,900,115 |
| Inventories, at cost | | 160,528 | 106,403 |
| Amounts due from customers for contract work | 23 | 513,524 | 538,571 |
| Land development cost recoverable | 19 | 814,838 | 1,987,353 |
| Completed properties held for sale | 22 | 19,413,477 | 18,058,115 |
| Financial assets at fair value through profit or loss | 17 | 14,656 | 355,228 |
| Trade and other receivables and prepayments | 21 | 39,278,801 | 22,561,963 |
| Restricted bank deposits | 24 | 2,797,531 | 3,288,450 |
| Cash and cash equivalents | 25 | 21,968,819 | 19,052,833 |
| | | 140,237,316 | 105,832,092 |
| Total assets | | 191,894,163 | 151,265,185 |

| | Note | As at 31 December | |
|---|------|--------------------|-----------------|
| | | 2017 RMB'000 | 2016 RMB'000 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Capital | 26 | 27,129,614 | 26,920,490 |
| Shares held for Restricted Share Award Scheme | 26 | (140,746) | (147,280) |
| Reserves | 28 | 768,023 | (359,691) |
| Retained earnings | 27 | 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 | 32 | 51,033,017 | 37,614,895 |
| Trade and other payables | 34 | 6,895 | 7,112 |
| Deferred income tax liabilities | 33 | 3,249,749 | 2,759,924 |
| | | 54,289,661 | 40,381,931 |
| Current liabilities | | | |
| Borrowings | 32 | 9,999,137 | 6,194,924 |
| Trade and other payables | 34 | 37,879,938 | 33,844,502 |
| Advance receipts from customers | 35 | 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 |

Approved by the Board of Directors on 21 March 2018

LI Ming
Executive Director

SUM Pui Ying
Executive Director

The notes on pages 126 to 247 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

| | Note | Year ended 31 December | |
|--|------|------------------------|-----------------|
| | | 2017 RMB'000 | 2016 RMB'000 |
| Revenue | 6 | 45,837,469 | 34,551,239 |
| Cost of sales | 38 | (34,598,623) | (26,914,966) |
| Gross profit | | 11,238,846 | 7,636,273 |
| Interest and other income | 36 | 1,116,422 | 1,508,226 |
| Other gains/(losses) — net | 37 | 975,243 | (85,876) |
| Fair value gains on investment properties | 9 | 440,199 | 1,762,637 |
| Selling and marketing expenses | 38 | (800,327) | (518,759) |
| Administrative expenses | 38 | (1,240,268) | (988,084) |
| Operating profit | | 11,730,115 | 9,314,417 |
| Finance costs | 40 | (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 | 41 | (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 | 42 | 0.680 | 0.493 |
| Diluted earnings per share | 42 | 0.678 | 0.493 |

The notes on pages 126 to 247 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 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 | 28 | — | (312,622) |
| Currency translation differences | | 184,610 | (97,601) |
| Share of other comprehensive income of investments accounted for using the equity method | 28 | 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 |

The notes on pages 126 to 247 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | | Non-controlling interests | | | Total equity RMB'000 |
|--|------|---------------------------------------|---|------------------------|---------------------------|---------------|----------------------------|--|----------------|----------------------|
| | | Share capital RMB'000 | Shares held for Restricted Share Award Scheme RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Capital instrument RMB'000 | Perpetual subordinated guaranteed capital securities RMB'000 | Others RMB'000 | |
| Balance at 1 January 2017 | | 26,920,490 | (147,280) | (359,691) | 17,585,122 | 43,998,641 | 3,500,000 | – | 1,831,239 | 49,329,880 |
| Profit for the year | | – | – | – | 5,115,405 | 5,115,405 | 245,000 | 56,634 | 841,628 | 6,258,667 |
| Fair value gains on available-for-sale financial assets | | – | – | 219,549 | – | 219,549 | – | – | 42,539 | 262,088 |
| Currency translation differences | | – | – | 198,948 | – | 198,948 | – | – | (14,338) | 184,610 |
| Share of other comprehensive income of investments accounted for using the equity method | 28 | – | – | 465,146 | – | 465,146 | – | – | – | 465,146 |
| Total other comprehensive income, net of tax | | – | – | 883,643 | 5,115,405 | 5,999,048 | 245,000 | 56,634 | 869,829 | 7,170,511 |
| Transactions with owners of the company | | | | | | | | | | |
| Dividends relating to 2016 | 43 | – | – | – | (782,907) | (782,907) | – | – | – | (782,907) |
| Dividends relating to 2017 | 43 | – | – | – | (1,072,542) | (1,072,542) | – | – | – | (1,072,542) |
| Expenses on share-based payment | 28 | – | – | 103,044 | – | 103,044 | – | – | – | 103,044 |
| Transfer from retained earnings | 28 | – | – | 99,849 | (99,849) | – | – | – | – | – |
| Issue of shares pursuant to exercise of employee share options | 26 | 205,043 | – | (36,203) | – | 168,840 | – | – | – | 168,840 |
| Vesting of shares under Restricted Share Award Scheme | 26 | 4,081 | 44,246 | (48,327) | – | – | – | – | – | – |
| Purchase of shares for Restricted Share Award Scheme | 26 | – | (37,712) | – | – | (37,712) | – | – | – | (37,712) |
| Distribution relating to capital instrument | | – | – | – | – | – | (245,000) | – | – | (245,000) |
| Distribution relating to non-controlling interest | | – | – | – | – | – | – | – | (23,995) | (23,995) |
| Issue of capital securities | 30 | – | – | – | – | – | – | 3,873,733 | – | 3,873,733 |
| Contribution from non-controlling interests | | – | – | – | – | – | – | – | 25,200 | 25,200 |
| Total contributions by and distributions to owners of the company | | 209,124 | 6,534 | 118,363 | (1,955,298) | (1,621,277) | (245,000) | 3,873,733 | 1,205 | 2,008,661 |
| Increase in non-controlling interest as a result of business combination | | – | – | – | – | – | – | – | 162,815 | 162,815 |
| Increase in non-controlling interests as a result of disposal interests without change of control | | – | – | 2,595 | – | 2,595 | – | – | 11,405 | 14,000 |
| Increase in non-controlling interest as a result of other acquisition | | – | – | – | – | – | – | – | 89,091 | 89,091 |
| Decrease in non-controlling interest as a result of disposal of subsidiaries | | – | – | – | – | – | – | – | (26,430) | (26,430) |
| Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries | 49 | – | – | 123,113 | – | 123,113 | – | – | (143,413) | (20,300) |
| Total transactions with owners of the company | | 209,124 | 6,534 | 244,071 | (1,955,298) | (1,495,569) | (245,000) | 3,873,733 | 94,673 | 2,227,837 |
| Balance at 31 December 2017 | | 27,129,614 | (140,746) | 768,023 | 20,745,229 | 48,502,120 | 3,500,000 | 3,930,367 | 2,795,741 | 58,728,228 |

| | Note | Attributable to owners of the Company | | | | | | Non-controlling interests | | Total equity RMB'000 |
|--|------|---------------------------------------|---|------------------------|---------------------------|---------------|----------------------------|----------------------------|----------------|----------------------|
| | | Share capital RMB'000 | Shares held for Restricted Share Award Scheme RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Capital securities RMB'000 | Capital instrument RMB'000 | Others RMB'000 | |
| Balance at 1 January 2016 | | 26,915,412 | (32,366) | (410,945) | 14,758,572 | 41,230,673 | 2,532,866 | 3,000,000 | 1,426,735 | 48,190,274 |
| Profit for the year | | – | – | – | 3,812,230 | 3,812,230 | – | 210,575 | 422,755 | 4,445,560 |
| Fair value gains on available-for-sale financial assets | | – | – | 282,660 | – | 282,660 | – | – | (1,448) | 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 | 28 | – | – | (312,622) | – | (312,622) | – | – | – | (312,622) |
| Currency translation differences | | – | – | (110,461) | – | (110,461) | – | – | 12,860 | (97,601) |
| Share of other comprehensive income of investments accounted for using the equity method | 28 | – | – | (34,427) | – | (34,427) | – | – | – | (34,427) |
| Total other comprehensive income, net of tax | | – | – | (174,850) | 3,812,230 | 3,637,380 | – | 210,575 | 434,167 | 4,282,122 |
| Transactions with owners of the company | | | | | | | | | | |
| Dividends relating to 2015 | 43 | – | – | – | (319,091) | (319,091) | – | – | – | (319,091) |
| Dividends relating to 2016 | 43 | – | – | – | (511,068) | (511,068) | – | – | (17,269) | (528,337) |
| Expenses on share-based payment | 28 | – | – | 139,020 | – | 139,020 | – | – | – | 139,020 |
| Transfer from retained earnings | 28 | – | – | 44,443 | (44,443) | – | – | – | – | – |
| Issue of shares pursuant to exercise of employee share options | 26 | 1,196 | – | (325) | – | 871 | – | – | 200 | 1,071 |
| Vesting of shares under Restricted Share Award Scheme | 26 | 3,882 | 66,525 | (70,407) | – | – | – | – | – | – |
| Purchase of shares for Restricted Share Award Scheme | 26 | – | (181,439) | – | – | (181,439) | – | – | – | (181,439) |
| Distribution relating to capital instrument | | – | – | – | – | – | – | (210,575) | – | (210,575) |
| Distribution relating to capital securities | 27 | – | – | – | (111,078) | (111,078) | – | – | – | (111,078) |
| Issue of capital instrument | 31 | – | – | – | – | – | – | 3,500,000 | – | 3,500,000 |
| Repayment of capital instrument | | – | – | – | – | – | – | (3,000,000) | – | (3,000,000) |
| Repurchase of capital securities | | – | – | – | – | – | (2,532,866) | – | – | (2,532,866) |
| Contribution from non-controlling interests | | – | – | – | – | – | – | – | 51,500 | 51,500 |
| Total contributions by and distributions to owners of the company | | 5,078 | (114,914) | 112,731 | (985,680) | (982,785) | (2,532,866) | 289,425 | 34,431 | (3,191,795) |
| Increase in non-controlling interest as a result of business combination | | – | – | – | – | – | – | – | 17,722 | 17,722 |
| Increase in non-controlling interest as a result of other acquisition | | – | – | – | – | – | – | – | 73,168 | 73,168 |
| Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries | | – | – | 113,373 | – | 113,373 | – | – | (154,984) | (41,611) |
| Total transactions with owners of the company | | 5,078 | (114,914) | 226,104 | (985,680) | (869,412) | (2,532,866) | 289,425 | (29,663) | (3,142,516) |
| Balance at 31 December 2016 | | 26,920,490 | (147,280) | (359,691) | 17,585,122 | 43,998,641 | – | 3,500,000 | 1,831,239 | 49,329,880 |

The notes on pages 126 to 247 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

| | Note | Year ended 31 December | |
|---|-------|------------------------|-----------------|
| | | 2017 RMB'000 | 2016 RMB'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 44 | 6,096,137 | 22,252,364 |
| Others | | – | 1,426,310 |
| Interest paid | | (2,985,662) | (2,070,421) |
| Income tax paid | | (4,332,652) | (2,636,480) |
| Net cash (used in)/generated from operating activities | | (1,222,177) | 18,971,773 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 7 | (441,895) | (368,970) |
| Proceeds from sale of property, plant and equipment | | 33,437 | 15,374 |
| Proceeds from sale of an investment property | | 11,173 | – |
| Purchases of investment properties | | (615,070) | (943,298) |
| Purchases of available-for-sale financial assets | | (429,248) | (2,285,583) |
| Redemption of available-for-sale financial assets | | 84,462 | 22,363 |
| Proceeds from disposal of available-for-sale financial assets | | 423,928 | – |
| Dividends received from available-for-sale financial assets | 36 | 25,105 | 78,742 |
| Purchases of land use rights | 8 | (8,348) | (1,953) |
| Acquisition of subsidiaries, net of cash acquired | | 1,391,616 | (554,456) |
| Proceeds from partial disposal of interests in a subsidiary, net of cash disposed | | – | 410,559 |
| Proceeds from disposal of entire interests of a subsidiary, net of cash disposed | 47(a) | 720,105 | 383,950 |
| Proceeds from disposal of other subsidiaries | | 2,892 | 285,360 |
| Capital injection to joint ventures | 12 | (4,295,759) | (4,625,141) |
| Proceeds from disposal of joint ventures | | 805,112 | 782,011 |
| Capital injection to associates | 13 | (1,875,598) | (565,801) |
| Proceeds from disposal of interests in an associate | | 552,364 | – |
| Dividends received from joint ventures and associates | | 262,514 | 23,903 |
| Entrusted loans advanced | | (10,218,246) | (6,299,338) |
| Repayment of entrusted loans | | 9,789,004 | 10,956,738 |
| Interest received | | 878,352 | 1,223,830 |
| Net cash used in investing activities | | (2,904,100) | (1,461,710) |

| | Note | Year ended 31 December | |
|--|------|------------------------|-----------------|
| | | 2017 RMB'000 | 2016 RMB'000 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 18,484,343 | 11,505,902 |
| Repayments of borrowings | | (13,892,128) | (27,046,880) |
| Consideration paid for transactions with non-controlling interests | | (20,300) | (41,611) |
| Capital injection from non-controlling interests | | 25,200 | 51,500 |
| Dividends paid to non-controlling interests | | (23,995) | (17,269) |
| Dividends paid to the shareholders of the Company | | (1,072,542) | (830,159) |
| Distribution relating to capital securities | | – | (111,078) |
| Repurchase of capital securities | | – | (2,532,866) |
| Purchase of shares for Restricted Share Award Scheme | | (37,712) | (181,439) |
| Issue of shares pursuant to exercise of employee share options | | 168,840 | 1,071 |
| Issue of capital securities | 30 | 3,873,733 | – |
| Issue of capital instrument | 31 | – | 3,500,000 |
| Distribution relating to capital instrument | | (245,000) | (210,575) |
| Repayment of capital instrument | | – | (3,000,000) |
| Net cash generated from/(used in) financing activities | | 7,260,439 | (18,913,404) |
| Increase/(decrease) in cash and cash equivalents | | 3,134,162 | (1,403,341) |
| Cash and cash equivalents at beginning of the year | 25 | 19,052,833 | 20,269,584 |
| Exchange gains on cash and cash equivalents | | (218,176) | 186,590 |
| Cash and cash equivalents at end of the year | 25 | 21,968,819 | 19,052,833 |

The notes on pages 126 to 247 are an integral part of these consolidated financial statements.

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, are disclosed in Note 5.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Changes in accounting policy and disclosures (Continued)

(a) *New and amended standards adopted by the Group (Continued)*

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, see Note 44(c).

(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.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income which will not be recycling to the profit and loss. The Directors considers that:

- Certain investments in equity instruments currently classified as available-for-sale financial assets might fall within the classification as at fair value through profit or loss;
- Certain equity instruments currently classified as available-for-sale financial assets for which a fair value through other comprehensive income election is still available, and
- Equity investments currently measured at fair value through profit or loss and financial assets measured at amortised cost which would likely continue to be measured on the same basis under HKFRS 9.

While management of the Group is in the process of an assessment on the classification and measurement of its financial assets, the potential impact to the future financial statements has yet to be determined but management considers that there will be some financial impact on the consolidated financial position of the Group.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, while the Group does not have any such liabilities.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, the Group currently does not have hedging relationship. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationship.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Changes in accounting policy and disclosures (Continued)

- (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. *(Continued)*
HKFRS 9, 'Financial instruments' (Continued)

Impact (Continued)

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applied the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. While the Group has not yet completed the detailed assessment, the ECL model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard, and the comparative figures of the financial information for the year 2018 will not be restated.

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.

Impact

Management has assessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

Revenue from some pre-sales properties under development may be recognised over time in accordance with input method for measuring method instead of a point of time, if the Group has an enforceable right to payment from the customers for the performance completed to date; and

The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Changes in accounting policy and disclosures (Continued)

- (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. (Continued)

HKFRS 15, 'Revenue from contracts with customers' (Continued)

Impact (Continued)

The costs relate directly to obtain contracts with customer that it would not have incurred if the contract had not been obtained, such as commission and stamp tax, will be eligible for capitalisation under HKFRS 15 and will be amortised on a systematic basis consistent with the pattern of the transfer of the properties to which the assets related.

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.

The accounting for lessors will not significantly change.

Impact

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-cancellable operating lease is small. However with these business expands in the near future the Group expects that HKFRS 16 will have some impact on consolidated financial position of the Group.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries

3.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.1 Consolidation (Continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

When the Group begins to have significant influence but not control over another entity as a result of increasing its stake or having representation on the board, an existing investment becomes an associate for the first time, the investment in the associate is initially recognized at the cost of each purchase plus a share of investee's profits or losses which is recognized in the consolidated income statement and other comprehensive income which is recognized in other comprehensive income, and acquisition-related costs are deemed as part of the cost of investment. Any existing gains or losses recognized in respect of the previously held the investment are reversed to restate the investment to cost.

3.5 Segment reporting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

The Group identifies the functional currency of each subsidiary for the purpose of defining that entity's foreign currency exposure. Different entities within the Group may have different functional currencies. Judgement is required in determining an entity's functional currency based on individual facts and circumstances.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "other gains/(losses) — net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in other comprehensive income.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Properties

(a) *Investment properties*

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

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

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Properties (Continued)

(b) *Land use rights*

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.13.

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|--------------------------------------|------------|
| Buildings and leasehold improvements | 5-50 years |
| Machinery | 8 years |
| Vehicles | 8 years |
| Office equipment | 3-5 years |
| Electronic equipment | 3 years |

Leasehold improvements' estimated useful life is shorter of remaining lease term of or useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other gains/(losses) — net", in the consolidated income statement.

Construction-in-progress represents buildings, machinery under construction and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.11 Financial assets

3.11.1 Classification

The Group classifies its financial assets into financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables and prepayments" (Note 3.14), "restricted bank deposit" and "cash and cash equivalents" (Note 3.15) in the balance sheet.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

3.11.1 *Classification (Continued)*

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

3.11.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “other gains/(losses) — net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement as part of “other gains/(losses) — net”.

Interest on available-for-sale securities calculated using the effective interest method are recognized in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Impairment of financial assets

(a) *Assets carried at amortized cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Inventories

(a) *Properties under development*

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale.

(b) *Completed properties held for sale*

Completed properties held for sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) *Other inventories*

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.14 Trade and other receivables and prepayments

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables and prepayments is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and prepayments are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 3.11 for further information about the group's accounting for trade receivables and Note 3.12 for a description of the group's impairment policies.

3.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Share capital

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

3.17 Capital securities and capital instrument

Capital securities and capital instrument with no contracted obligation to repay its principal nor to pay any distribution are classified as part of equity.

3.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.19 Borrowings and Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.20.1 *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/territories where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.20.2 *Deferred income tax*

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

3.20.3 *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) *Bonus entitlements*

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

(c) *Retirement benefits*

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

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

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,500. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, including “share option scheme” and Restricted Share Award Scheme, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the Group.

- *Share option scheme*

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (eg the entity’s share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The impact of the revision to original estimates, if any, is recognized in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital, net of any directly attributable transaction costs.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

- *Restricted Shares Award Scheme*

The fair value of the employee services received in exchange for the grant of these share-based awards is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares awarded at the grant date.

When Trustee purchases the Company’s shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as “Shares held for Restricted Share Award Scheme” in the consolidated statement of changes in equity and deducted from total equity. When the Trustee transfers the Company’s shares to grantees upon vesting, the related costs of the awarded shares are credited to “Shares held for Restricted Share Award Scheme” with a corresponding adjustment to the share capital.

At the end of each reporting period, the Group revises its estimates of the number of these share-based awards that are expected to become vested. The impact of the revision to original estimates, if any, is recognized in the consolidated income statement, with a corresponding adjustment to equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.24 Financial guarantee liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS/HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of profit or loss within other operating expenses.

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

3.25 Contract work

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable by reference to the stage of completion.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected losses are recognized as expense immediately.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Contract work (Continued)

The Group uses the “percentage of completion method” to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work-in-progress is valued at the cost price of the work done, plus a part of the expected profit upon completion of the project in proportion to the progress made and less progress receivables and provisions. Provisions are recognized for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost price. The cost price includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, other direct costs, rental charges and maintenance costs for the equipment used. The progress of a project is determined on the basis mentioned in preceding paragraph. Profits are not recognized unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress receivables is determined on a project by project basis.

The Group presents as an asset the “amounts due from customers for contract work” for all contracts in progress for which costs incurred plus recognized profits exceed progress receivables. Progress receivables not yet paid by customers and retention are included within “trade and other receivables and prepayments”.

3.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group’s activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

(a) *Sale of properties*

Revenue from sales of properties is recognized when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances receipts from customers.

(b) *Rental income*

Rental income is recognized on a straight-line basis over the lease terms.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Revenue recognition (Continued)

(c) *Revenue from construction contracts*

Revenue from construction contract is recognized, over the period of the contracts, when the outcome of the contracts can be estimated reliably and it is probable that these contracts will be profitable.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs.

(d) *Property management and agency fee income*

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(e) *Interest income*

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(f) *Dividend income*

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

3.27 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognized over the term of the lease on a straight-line basis.

3.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviews and approves policies for managing each of these risks and they are summarized below.

(a) *Market risk*

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the Group's functional currency. Majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy. However, management of the Group monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

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

As at 31 December 2017, if RMB had weakened/strengthened by 5% against HKD and USD with all other variable held constant, post-tax profit for the year of the Group would have been RMB666,996,000 lower/higher (2016: RMB657,012,000 lower/higher), mainly as the result of the foreign exchange losses/gains on translation of HKD/USD dominated borrowings, net of foreign exchange gains/losses on translation of HKD/USD dominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2017 and 2016, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowing and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2017, if interest rates have increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB15,663,000 (2016: RMB10,872,000).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) *Credit risk*

Credit risk arises from restricted bank deposits, cash and cash equivalents, trade and other receivables and prepayments and available-for-sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and prepayments and available-for-sale financial assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The recoverability of loan and other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors. The management does not expect any significant losses from non-performance by the counterparties.

Credit risk arises from restricted bank deposits is limited, as all counterparties are banks with appropriate credit rankings.

The Group has provided guarantees to banks in favor of certain customers to secure their repayment obligations to banks, for their purchases of property units. If a customer defaults on the payment of its mortgage during the term of the guarantee, banks holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to banks. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

The Group provided joint-liability guarantees in respect of borrowings granted by certain financial institutions to joint ventures and associates. Properties under development owned by these joint ventures and associates are the primary collateral of such borrowings. If the joint ventures and associates default on the repayment of such borrowings during the term of the guarantee, the financial institutions are able to sell the properties to recover the outstanding amount together with any accrued interest thereon. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows.

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|--|--------------------------------|-------------------------------------|-------------------------------------|----------------------------|------------------|
| At 31 December 2017 | | | | | |
| Borrowings | 12,934,626 | 15,932,235 | 27,167,413 | 15,983,634 | 72,017,908 |
| Trade and other payables excluding statutory liabilities | 36,877,146 | – | 6,895 | – | 36,884,041 |
| | 49,811,772 | 15,932,235 | 27,174,308 | 15,983,634 | 108,901,949 |
| At 31 December 2016 | | | | | |
| Borrowings | 8,221,364 | 5,770,309 | 22,671,854 | 17,345,718 | 54,009,245 |
| Trade and other payables excluding statutory liabilities | 33,313,285 | – | 7,112 | – | 33,320,397 |
| | 41,534,649 | 5,770,309 | 22,678,966 | 17,345,718 | 87,329,642 |

The amounts have not included financial guarantee contracts:

- which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (Note 45(a)). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;
- which the Group make for its cooperation parties' bank borrowings (Note 45(b)). Such guarantees terminate upon the repayment of relevant bank borrowings.

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital (Note 44(c)). Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2017 and 2016 were as follows.

| | As at 31 December | |
|------------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Net debt (Note 44 (c)) | 39,063,335 | 24,756,986 |
| Total equity | 58,728,228 | 49,329,880 |
| Total capital | 97,791,563 | 74,086,866 |
| Gearing ratio | 40% | 33% |

The increase in the gearing ratio during 2017 resulted primarily from the increase of total borrowings.

4.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2017 and 2016. See Note 9 for disclosures of the investment properties that are measured at fair value.

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| Assets | | | | |
| At 31 December 2017 | | | | |
| Financial assets at fair value through profit or loss (Note 17) | 256,972 | (242,316) | – | 14,656 |
| Available-for-sale financial assets: | | | | |
| — listed equity securities (Note 16) | 166,267 | – | – | 166,267 |
| — equity fund investments (Note 16) | – | 1,130,643 | 1,395,826 | 2,526,469 |
| — other unlisted equity securities (Note 16) | – | 586,617 | 420,969 | 1,007,586 |
| — others (Note 16) | – | – | 8,656 | 8,656 |
| | 423,239 | 1,474,944 | 1,825,451 | 3,723,634 |
| Assets | | | | |
| At 31 December 2016 | | | | |
| Financial assets at fair value through profit or loss (Note 17) | 190,780 | 164,448 | – | 355,228 |
| Available-for-sale financial assets: | | | | |
| — listed equity securities (Note 16) | 161,985 | – | – | 161,985 |
| — equity fund investments (Note 16) | – | 970,939 | 1,141,685 | 2,112,624 |
| — other unlisted equity securities (Note 16) | – | 588,225 | 658,490 | 1,246,715 |
| — others (Note 16) | – | – | 132,329 | 132,329 |
| | 352,765 | 1,723,612 | 1,932,504 | 4,008,881 |

There were no transfers between Level 1, Level 2 and Level 3 during the period.

During the period there were no significant changes in the business or economic circumstances that may affect the fair value of the Group's financial assets and financial liabilities.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(a) *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily the United States and HKSE equity investments classified as financial assets at fair value through profit or loss and available-for-sale financial assets through other comprehensive.

(b) *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise primarily equity fund investments and other unlisted equity securities, for equity fund investments, the underlying portfolio invested by equity fund are all listed equity shares, the valuation of equity fund is determined based on the quoted market price of listed equity shares. The unlisted equity security is the convertible preferred shares issued by a listed company, comparison method was used for the valuation of convertible preferred shares, which is mainly based on the fair value of ordinary share of the issuer.

(c) *Financial instruments in Level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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

There were no changes in valuation techniques during the year.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2017.

| | Available-for-sale financial assets equity securities RMB'000 |
|------------------------------------|--|
| Financial assets in Level 3 | |
| Opening balance | 1,932,504 |
| Additions | 192,240 |
| Disposal | (299,293) |
| Closing balance | 1,825,451 |

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(c) *Financial instruments in Level 3 (Continued)*

The following table presents the changes in Level 3 instruments for the year ended 31 December 2016.

| | Available-for-sale financial assets equity securities RMB'000 |
|------------------------------------|--|
| Financial assets in Level 3 | |
| Opening balance | 2,512,790 |
| Additions | 419,714 |
| Disposal of a subsidiary | (1,000,000) |
| Closing balance | 1,932,504 |

(d) *Information about Level 3 fair value measurements*

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurement of equity fund investment.

As at 31 December 2017 and 2016, the underlying portfolio invested by equity fund are properties located in the United States and Hong Kong the valuation of equity fund investment is determined based on the valuation of properties.

| Investment type | Valuation technique | Significant unobservable input | Range | |
|-----------------|----------------------|-------------------------------------|--------------------------------|-----------------------------------|
| | | | 2017 | 2016 |
| Properties | Direct comparison | Price of comparable properties | 1,334–1,737 US\$/square feet | 1,332–1,811 US\$/square feet |
| | Discounted cash flow | Discount rate | – | 0.5% to 1.0% |
| | Direct comparison | Land price and construction to date | 27,359–49,689 US\$/square feet | 25,032 to 37,419 US\$/square feet |
| | Discounted cash flow | Discount rate | – | 0.5% to 1.0% |

For the valuation of other unlisted equity securities which are determined based on the recent transaction price and earnings multiples.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(e) Valuation process

The finance department of the group includes a team that performs the valuations of level 3 financial instruments required for financial reporting purposes. The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

The components of the level 3 instruments mainly include investments in private investment funds and unlisted companies. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows and comparable transactions approaches. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of discount rate and recent market transactions etc. The fair values of these instruments determined by the Group requires significant judgement, including the financial performance of the investee company, market value of comparable properties as well as discount rate, etc.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 9.

(b) Income taxes and land appreciation tax ("LAT")

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Income taxes and land appreciation tax ("LAT") (Continued)

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

(c) Deferred income tax

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

(d) Estimations for total properties construction cost

The Group estimates properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

(e) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 3.26. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests to the buyer, upon release of the respective property to the purchaser.

As disclosed in Note 45, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the banks by the purchasers. In order to obtain mortgage loans, the purchasers need to settle certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in the calling of the bank guarantees provided. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

(f) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.10. Assets are also reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts of the assets to exceed their recoverable amounts. The recoverable amount of an asset or a cash generating unit is determined as the higher of cash generating unit's fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates. In 2017, based on such reviews the directors have determined that certain of Group's properties under development (Note 18) and completed properties held for sale (Note 22) were impaired, and relevant provision had been made.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Provisions for doubtful debts of receivables

The Group annually and semi-annually tests whether receivables suffer any impairment. Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is recognized at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. Receivables with amounts that are not individually significant along with those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for doubtful debts is determined based on the historical actual loss ratio for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances. In 2017, based on such reviews the directors have determined that certain of Group's trade receivables (Note 21) were impaired, and relevant provision had been made.

6 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.

6 SEGMENT INFORMATION (Continued)

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 RMB'000 | All other segments RMB'000 | Total RMB'000 |
|--|----------------------------------|----------------------|--------------------|---------------------|--------------------------------|-------------------------------|--------------------|
| | Beijing-Tianjin-Hebei RMB'000 | Northeast RMB'000 | Central RMB'000 | Southern 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 (Note 38) | (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 (Note 38) | (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 |

6 SEGMENT INFORMATION (Continued)

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

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2017 RMB'000 | 2016 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 (Note 9) | 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 (Note 40) | (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 RMB'000 | 2016 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 (Note 12) | 14,720,119 | 10,859,178 |
| Investments in associates (Note 13) | 4,562,962 | 3,018,922 |
| Available-for-sale financial assets (Note 16) | 3,708,978 | 3,653,653 |
| Financial assets at fair value through profit or loss (Note 17) | 14,656 | 355,228 |
| Deferred income tax assets (Note 33) | 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 (Note 32) | 9,999,137 | 6,194,924 |
| Non-current borrowings (Note 32) | 51,033,017 | 37,614,895 |
| Deferred income tax liabilities (Note 33) | 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.

6 SEGMENT INFORMATION (Continued)

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.

7 PROPERTY, PLANT AND EQUIPMENT

| | Buildings and leasehold improvements RMB'000 | Machinery RMB'000 | Vehicles RMB'000 | Office equipment RMB'000 | Electronic equipment RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---------------------------------------|---|----------------------|---------------------|--------------------------------|------------------------------------|--|------------------|
| Year ended 31 December 2017 | | | | | | | |
| Opening net book amount | 165,819 | 5,685 | 19,896 | 33,616 | 38,205 | 633,701 | 896,922 |
| Additions | 136,477 | 1,396 | 6,224 | 35,920 | 36,706 | 225,172 | 441,895 |
| Acquisition of subsidiaries | - | - | 720 | 558 | 285 | - | 1,563 |
| Disposals | (5,598) | (2,362) | (4,069) | (19,611) | (2,416) | - | (34,056) |
| Depreciation charge (Note 38) | (4,609) | (410) | (7,752) | (22,587) | (9,544) | - | (44,902) |
| Disposal of a subsidiary (Note 47(a)) | - | - | (34) | - | - | - | (34) |
| Closing net book amount | 292,089 | 4,309 | 14,985 | 27,896 | 63,236 | 858,873 | 1,261,388 |
| At 31 December 2017 | | | | | | | |
| Cost | 379,468 | 7,159 | 61,793 | 103,542 | 133,122 | 858,873 | 1,543,957 |
| Accumulated depreciation | (87,379) | (2,850) | (46,808) | (75,646) | (69,886) | - | (282,569) |
| Net book amount | 292,089 | 4,309 | 14,985 | 27,896 | 63,236 | 858,873 | 1,261,388 |
| Year ended 31 December 2016 | | | | | | | |
| Opening net book amount | 168,728 | 6,029 | 19,721 | 52,845 | 32,059 | 304,686 | 584,068 |
| Additions | 6,351 | 220 | 6,538 | 11,675 | 15,171 | 329,015 | 368,970 |
| Acquisition of subsidiaries | - | - | 1,863 | 366 | 111 | - | 2,340 |
| Disposals | (4,698) | (141) | (1,781) | (6,159) | (81) | - | (12,860) |
| Depreciation charge (Note 38) | (4,562) | (423) | (5,883) | (25,111) | (9,055) | - | (45,034) |
| Disposal of a subsidiary | - | - | (562) | - | - | - | (562) |
| Closing net book amount | 165,819 | 5,685 | 19,896 | 33,616 | 38,205 | 633,701 | 896,922 |
| At 31 December 2016 | | | | | | | |
| Cost | 253,295 | 11,669 | 64,095 | 113,880 | 90,053 | 633,701 | 1,166,693 |
| Accumulated depreciation | (87,476) | (5,984) | (44,199) | (80,264) | (51,848) | - | (269,771) |
| Net book amount | 165,819 | 5,685 | 19,896 | 33,616 | 38,205 | 633,701 | 896,922 |

Depreciation expense of RMB22,541,000 (2016: RMB30,462,000) has been charged in "cost of sales", RMB22,361,000 (2016: RMB14,572,000) in "administrative expenses".

Construction in progress as at 31 December 2017 and 2016 represents building being constructed in Shanghai, Beijing, Wuhan and Suzhou with intent use of senior housing or health care related services.

8 LAND USE RIGHT

The Group's interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of less than 50 years(including 50 years). The movements are as follows:

| | Year ended 31 December | |
|---------------------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At beginning of the year | 53,788 | 52,094 |
| Addition | 8,348 | 1,953 |
| Amortization charge (Note 38) | (2,601) | (259) |
| At end of the year | 59,535 | 53,788 |

9 INVESTMENT PROPERTIES

| | Completed investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
|---|--|---|-------------------|
| At fair value | | | |
| Year ended 31 December 2017 | | | |
| At beginning of the year | 14,042,128 | 2,250,000 | 16,292,128 |
| Additions | 287,275 | 327,795 | 615,070 |
| Transfer from investment properties under development | 2,577,795 | (2,577,795) | – |
| Disposal of an investment property | (14,043) | – | (14,043) |
| Currency translation differences | (53,434) | – | (53,434) |
| Fair value gains | 440,199 | – | 440,199 |
| At end of the year | 17,279,920 | – | 17,279,920 |
| Year ended 31 December 2016 | | | |
| At beginning of the year | 12,225,320 | 1,330,000 | 13,555,320 |
| Additions | 147,040 | 796,258 | 943,298 |
| Currency translation differences | 30,873 | – | 30,873 |
| Fair value gains | 1,638,895 | 123,742 | 1,762,637 |
| At end of the year | 14,042,128 | 2,250,000 | 16,292,128 |

9 INVESTMENT PROPERTIES (Continued)

(a) Amounts recognized in profit or loss for investment properties

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Rental income (Note 6) | 977,092 | 885,639 |
| Direct operating expenses arising from investment properties that generate rental income | (120,090) | (94,591) |
| Direct operating expenses that did not generate rental income | (70,018) | (52,477) |
| | 786,984 | 738,571 |

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: nil).

(b) Valuation basis

Fair value measurements using significant unobservable inputs

| | 31 December 2017 | | | | | | | | |
|--|---------------------------------|--------------------|-------------------|---------------------|----------------------|--------------------------|----------------------|--|------------|
| | Completed investment properties | | | | | | | Investment properties under development Hangzhou | Total |
| | Beijing RMB'000 | Tianjin RMB'000 | Dalian RMB'000 | Hangzhou RMB'000 | Hong Kong RMB'000 | United States RMB'000 | Sub-total RMB'000 | RMB'000 | RMB'000 |
| Opening balance as at 1 January | 11,831,296 | 1,113,000 | 460,000 | - | 314,152 | 323,680 | 14,042,128 | 2,250,000 | 16,292,128 |
| Additions | - | - | - | - | - | 287,275 | 287,275 | 327,795 | 615,070 |
| Transfer from investment properties under development | - | - | - | 2,577,795 | - | - | 2,577,795 | (2,577,795) | - |
| Disposal of an investment property | - | - | - | - | (14,043) | - | (14,043) | - | (14,043) |
| Currency translation differences | - | - | - | - | (20,805) | (32,629) | (53,434) | - | (53,434) |
| Net gains or losses from fair value adjustment | 408,144 | 1,000 | - | (12,795) | 35,732 | 8,118 | 440,199 | - | 440,199 |
| Closing balance as at 31 December | 12,239,440 | 1,114,000 | 460,000 | 2,565,000 | 315,036 | 586,444 | 17,279,920 | - | 17,279,920 |
| Total gains or losses for the year ended 31 December 2017 included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties" | 408,144 | 1,000 | - | (12,795) | 35,732 | 8,118 | 440,199 | - | 440,199 |
| Change in unrealized gains or losses for the year ended 31 December 2017 included in profit or loss for assets held at the end of the year | 408,144 | 1,000 | - | (12,795) | 35,732 | 8,118 | 440,199 | - | 440,199 |

9 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

| | 31 December 2016 | | | | | | | |
|--|---------------------------------|--------------------|-------------------|----------------------|--------------------------|----------------------|--|------------|
| | Completed investment properties | | | | | | Investment properties under development Hangzhou | Total |
| | Beijing RMB'000 | Tianjin RMB'000 | Dalian RMB'000 | Hong Kong RMB'000 | United States RMB'000 | Sub-total RMB'000 | RMB'000 | RMB'000 |
| Opening balance as at 1 January | 10,244,742 | 1,068,000 | 470,000 | 272,446 | 170,132 | 12,225,320 | 1,330,000 | 13,555,320 |
| Additions | 7,260 | – | – | 15,272 | 124,508 | 147,040 | 796,258 | 943,298 |
| Currency translation differences | – | – | – | 18,702 | 12,171 | 30,873 | – | 30,873 |
| Net gains or losses from fair value adjustment | 1,579,294 | 45,000 | (10,000) | 7,732 | 16,869 | 1,638,895 | 123,742 | 1,762,637 |
| Closing balance as at 31 December | 11,831,296 | 1,113,000 | 460,000 | 314,152 | 323,680 | 14,042,128 | 2,250,000 | 16,292,128 |
| Total gains or losses for the year ended 31 December 2016 included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties" | 1,579,294 | 45,000 | (10,000) | 7,732 | 16,869 | 1,638,895 | 123,742 | 1,762,637 |
| Change in unrealized gains or losses for the year ended 31 December 2016 included in profit or loss for assets held at the end of the year | 1,579,294 | 45,000 | (10,000) | 7,732 | 16,869 | 1,638,895 | 123,742 | 1,762,637 |

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

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Cushman & Wakefield Limited and BMI Appraisals Limited, independent qualified valuers not related to the Group, who hold recognized relevant professional qualifications and have recent experiences in the location and segments of the investment properties valued, at 31 December 2017. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

9 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Valuation processes of the Group (Continued)

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent qualified valuers.

Valuation techniques

Fair values of completed commercial properties in Beijing, Tianjin, Dalian, Hangzhou, Hong Kong and the United States are generally derived using the income capitalization method. These valuation methods are based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of completed residential properties and commercial property in the United States and residential property in Hong Kong are generally derived using the comparison approach by reference to recent sales price of comparable properties on a price per square feet basis, adjusted for a premium or a discount specific to the quality of the Group's building compared to the recent sales. Higher premium for higher quality buildings will results in a higher fair value measurement.

Fair value of under development commercial property in Hangzhou is generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit margin and risk from the estimated capital value of the proposed development assuming completion as at the date of valuation.

There were no changes to the valuation techniques during the year and there were no transfers between fair value hierarchy during the year.

9 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Significant unobservable inputs used to determine fair value

| Description | Fair value at 31 Dec 2017 (RMB'000) | Valuation technique(s) | Range of significant unobservable inputs | | Premium or discount for quality of properties (%) |
|---|---|---------------------------|--|-----------------------------|--|
| | | | Prevailing market rents | Capitalization rates (%) | |
| Completed investment properties — Beijing | 12,239,440 | Income capitalization | RMB25 to RMB561 per month per square meter | 5.25 to 7.00 | N/A |
| Completed investment properties — Tianjin | 1,114,000 | Income capitalization | RMB65 to RMB264 per month per square meter | 6.00 to 7.00 | N/A |
| Completed investment properties — Dalian | 460,000 | Income capitalization | RMB70 to RMB117 per month per square meter | 4.50 to 6.00 | N/A |
| Completed investment properties — Hangzhou | 2,565,000 | Income capitalization | RMB77 to RMB513 per month per square meter | 3.50 to 7.00 | N/A |
| Completed investment properties — Hong Kong | 315,036 | Income capitalization | HKD51 to HKD60 per month per square feet | 2.80 to 3.30 | N/A |
| Completed investment properties — United States | 298,612 | Income capitalization | USD5 per month per square feet | 7.00 | N/A |
| Completed investment properties — United States | 287,832 | Comparison approach | N/A | N/A | -20.00 to 10.00 |

| Description | Fair value at 31 Dec 2016 (RMB'000) | Valuation technique(s) | Range of significant unobservable inputs | | Premium or discount for quality of properties (%) |
|--|---|---------------------------|---|-----------------------------|--|
| | | | Prevailing market rents | Capitalization rates (%) | |
| Completed investment properties — Beijing | 11,831,296 | Income capitalization | RMB25 to RMB618 per month per square meter | 5.50 to 7.50 | N/A |
| Completed investment properties — Tianjin | 1,113,000 | Income capitalization | RMB147 to MB470 per month per square meter | 7.00 to 7.50 | N/A |
| Completed investment properties — Dalian | 460,000 | Income capitalization | RMB70 to RMB140 per month per square meter | 6.00 to 6.50 | N/A |
| Completed investment properties — Hong Kong | 299,124 | Income capitalization | HKD47 to HKD58 per month per square feet | 2.90 to 3.40 | N/A |
| Completed investment properties — Hong Kong | 15,028 | Comparison approach | N/A | N/A | -5.00 to 16.00 |
| Completed investment properties — United States | 323,680 | Comparison approach | N/A | N/A | -30.00 to 7.00 |
| Investment properties under development — Hangzhou | 2,250,000 | Residual | RMB100 to RMB333 per month per square meter | 3.50 to 7.50 | N/A |

9 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Significant unobservable inputs used to determine fair value (Continued)

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalization rates are estimated by valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Premium or discount for quality of properties are estimated by valuers based on quality of properties, such as location, size, view, level and condition of the properties.

(c) Non-current assets pledged as security

As at 31 December 2017 and 2016, investment properties of the Group with carrying values of RMB12,670,612,000 and RMB10,815,642,000, respectively, were pledged as collateral for the Group's borrowings.

As at 31 December 2017, investment properties of the Group with carrying values of RMB2,565,000,000 (2016: nil), respectively, were pledged as collateral for the Group's capital instrument.

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial statements are receivables as follows:

| | As at 31 December | |
|----------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Within 1 year | 895,689 | 811,175 |
| Between 1 to 5 years | 1,315,937 | 1,442,909 |
| After 5 years | 767,332 | 698,855 |
| | 2,978,958 | 2,952,939 |

10 GOODWILL

| | RMB'000 |
|--|-----------|
| Year ended 31 December 2017 | |
| Opening net book amount | 128,227 |
| Acquisition of subsidiaries (Note 48(b)) | 6,750 |
| Derecognition of goodwill | (35,809) |
| Closing net book amount | 99,168 |
| At 31 December 2017 | |
| Cost | 224,695 |
| Impairment charge | (125,527) |
| Net book amount | 99,168 |
| Year ended 31 December 2016 | |
| Opening net book amount | 56,700 |
| Acquisition of subsidiaries | 208,482 |
| Derecognition of goodwill | (136,955) |
| Closing net book amount | 128,227 |
| At 31 December 2016 | |
| Cost | 253,754 |
| Impairment charge | (125,527) |
| Net book amount | 128,227 |

Goodwill was generated from business combination and allocated to a cash generated unit or a group of cash generated units, from the acquisition date, that is expected to benefit from the synergies of the combination. Derecognition of goodwill allocated to a cash generated unit or a group of cash generated units was recognized due to the disposal of the relevant properties.

Goodwill is allocated to the Group's cash generating units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below:

| | As at 31 December | |
|-------------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Property development: | | |
| — Beijing-Tianjin-Hebei | 56,748 | 72,441 |
| — Northeast | — | — |
| — Central | 42,420 | 55,786 |
| — Southern | — | — |
| | 99,168 | 128,227 |

11 SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2017 which, in the opinion of the directors, materially affect the results or assets of the Group:

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|---|---|---|---|--------------------------------------|--------|---|--------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (1) Sino-Ocean Land Limited 遠洋地產有限公司 | PRC, Limited liability company | Property development in PRC | RMB 7,064,870 | 100% | 100% | – | – |
| (2) 遠洋國際建設有限公司 | PRC, Limited liability company | Renovation service in PRC | RMB 600,000 | 100% | 100% | – | – |
| (3) 北京遠盛置業有限公司 | PRC, Limited liability company | Property development in PRC | RMB 100,000 | 100% | 100% | – | – |
| (4) Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司 | PRC, Limited liability company | Property development in PRC | RMB 500,000 | 100% | 100% | – | – |
| (5) 北京萬洋世紀創業投資管理有限公司 | PRC, Limited liability company | Consultant service in PRC | RMB 341,000 | 100% | 100% | – | – |
| (6) 北京碧城創業投資管理有限公司 | PRC, Limited liability company | Consultant service in PRC | RMB 336,000 | 100% | 100% | – | – |
| (7) Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司 | PRC, Limited liability company | Investment holdings in PRC | RMB 300,000 | 100% | 100% | – | – |
| (8) Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司 | PRC, Limited liability company | Investment property in PRC | USD 30,000 | 72% | 72% | 28% | 28% |
| (9) 遠洋園林工程有限公司 | PRC, Limited liability company | Renovation service in PRC | RMB 200,000 | 100% | 100% | – | – |
| (10) Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司 | PRC, Limited liability Company | Land development in PRC | RMB 100,000 | 75% | 75% | 25% | 25% |
| (11) Beijing De Jun Land Development Company Limited 北京德俊置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 90,000 | 100% | 100% | – | – |
| (12) Beijing Dong Long Real Estate Development Co., Ltd. ("Beijing Donglong") 北京東隆房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | USD 12,370 | 85.72% | 85.72% | 14.28% | 14.28% |

11 SUBSIDIARIES (Continued)

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|--|---|---|---|--------------------------------------|------|---|------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (13) Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司 | PRC, Limited liability Company | Land development in PRC | RMB 75,000 | 100% | 100% | - | - |
| (14) Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 60,000 | 100% | 100% | - | - |
| (15) Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 30,000 | 100% | 100% | - | - |
| (16) Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 30,000 | 100% | 100% | - | - |
| (17) 北京遠東新地置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 30,000 | 100% | 100% | - | - |
| (18) Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司 | PRC, Limited liability Company | Investment holdings in PRC | RMB 10,000 | 100% | 100% | - | - |
| (19) Beijing Yuan-lan Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 10,000 | 100% | 100% | - | - |
| (20) Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產建設開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 420,000 | 100% | 100% | - | - |
| (21) Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 400,000 | 100% | 100% | - | - |
| (22) Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產(天津)有限公司 | PRC, Limited liability Company | Investment holding in PRC | RMB 170,000 | 100% | 100% | - | - |
| (23) 天津宇華房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 100,000 | 100% | 100% | - | - |
| (24) Tianjin Yuanying Real Estate Development Company, Limited 天津市遠贏置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 30,000 | 100% | 100% | - | - |
| (25) 大連新悅置業有限公司 | PRC, Limited liability Company | Property development in PRC | USD 241,000 | 100% | 100% | - | - |

11 SUBSIDIARIES (Continued)

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|--|---|---|---|--------------------------------------|------|---|------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (26) 大連匯洋置業有限公司 | PRC, Limited liability Company | Property development in PRC | USD 66,122 | 100% | 100% | - | - |
| (27) 大連廣宇置業有限公司 | PRC, Limited liability Company | Property development in PRC | USD 363,200 | 100% | 100% | - | - |
| (28) 大連世甲置業有限公司 | PRC, Limited liability Company | Property development in PRC | USD 167,850 | 100% | 100% | - | - |
| (29) Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司 | PRC, Limited liability Company | Property development in PRC | USD 80,000 | 100% | 100% | - | - |
| (30) 大連永圖置業有限公司 | PRC, Wholly foreign owned enterprise | Property development in PRC | USD 119,500 | 100% | 100% | - | - |
| (31) Dalian Sky-Upright Property Limited 大連正乾置業有限公司 | PRC, Sino-foreign equity joint venture | Property development in PRC | USD 76,860 | 100% | 100% | - | - |
| (32) 大連至遠置業有限公司 | PRC, Wholly foreign owned enterprise | Property development in PRC | USD 69,754 | 100% | 100% | - | - |
| (33) 大連源豐置業有限公司 | PRC, Sino-foreign equity joint venture | Property development in PRC | USD 50,700 | 100% | 100% | - | - |
| (34) 大連遠佳產業園開發有限公司 | PRC, Wholly foreign owned enterprise | Property development in PRC | USD 35,000 | 100% | 100% | - | - |
| (35) Dalian Kaimeng Real Estate Co., Ltd. 大連凱盟房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 150,000 | 100% | 100% | - | - |
| (36) 大連通遠房地產開發有限公司 | PRC, Limited liability Company | Land development in PRC | RMB 8,000 | 100% | 100% | - | - |
| (37) 遠洋地產(遼寧)有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 20,000 | 100% | 100% | - | - |
| (38) 長春東方聯合置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 200,000 | 100% | 100% | - | - |

11 SUBSIDIARIES (Continued)

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|--|---|---|---|--------------------------------------|--------|---|--------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (39) 青島遠豪置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 150,000 | 100% | 100% | - | - |
| (40) Hangzhou Tianqi Property Development Company, Limited 杭州遠洋天祺置業有限公司 | PRC, Sino-foreign equity joint venture | Property development in PRC | USD 147,760 | 100% | 100% | - | - |
| (41) 杭州遠洋運河商務區開發有限公司 | PRC, Sino-foreign equity joint venture | Property development in PRC | USD 143,210 | 100% | 100% | - | - |
| (42) 杭州遠洋新河酒店置業有限公司 | PRC, Sino-foreign equity joint venture | Property development in PRC | USD 132,590 | 100% | 100% | - | - |
| (43) 杭州德遠瑞祥置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 723,000 | 100% | 100% | - | - |
| (44) 遠洋地產(上海)有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 20,000 | 100% | 100% | - | - |
| (45) 上海遠望置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 20,000 | 100% | 100% | - | - |
| (46) 大連鑫融置業有限公司 | PRC, Limited liability Company | Property development in PRC | USD 120,000 | 100% | - | - | - |
| (47) 遠洋地產(中山)開發有限公司 | PRC, Sino-foreign equity joint venture | Property development in PRC | RMB 720,000 | 100% | 100% | - | - |
| (48) 中山市遠見房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 30,000 | 100% | 100% | - | - |
| (49) 天基房地產開發(深圳)有限公司 ("Shenzhen Tianji") | PRC, Limited liability Company | Property development in PRC | HKD 160,000 | 84.70% | 84.70% | 15.30% | 15.30% |
| (50) 三亞南國奧林匹克花園有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 64,100 | 100% | 100% | - | - |
| (51) 北京龍澤源置業有限公司 | PRC, Limited liability Company | Investment property in PRC | RMB 260,000 | 100% | 100% | - | - |

11 SUBSIDIARIES (Continued)

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|---|---|---|---|--------------------------------------|------|---|------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (52) 海南浙江椰香村建設開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 15,000 | 100% | 100% | - | - |
| (53) 武漢弘福置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 45,000 | 100% | 55% | - | 45% |
| (54) 重慶國際高爾夫俱樂部有限公司 | PRC, Limited liability Company | Land development in PRC | RMB 96,290 | 85% | 85% | 15% | 15% |
| (55) 北京天江通譽置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 4,123,112 | 100% | 100% | - | - |
| (56) 天津遠頤房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 50,000 | 100% | 100% | - | - |
| (57) 北京遠旭股權投資基金管理 有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB 110,000 | 100% | 100% | - | - |
| (58) 大連利遠置業有限公司 | PRC, Limited liability Company | Property development in PRC | USD 143,410 | 100% | 100% | - | - |
| (59) 中山市遠恒房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 50,000 | 51% | 51% | 49% | 49% |
| (60) 遠洋養老運營管理有限公司 | PRC, Limited liability Company | Pension service in PRC | RMB 60,000 | 100% | 100% | - | - |
| (61) Tianjin Yuan-bin Real Estate Development Company, Limited 天津市遠濱房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 600,000 | 100% | 100% | - | - |
| (62) 大連宏宇置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 50,000 | 100% | 100% | - | - |
| (63) 北京遠山置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 50,000 | 100% | 100% | - | - |
| (64) 中山市盛信房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 28,000 | 51% | 51% | 49% | 49% |

11 SUBSIDIARIES (Continued)

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|-------------------------|---|---|---|--------------------------------------|--------|---|-------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (65) 中山市博信房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 30,000 | 51% | 51% | 49% | 49% |
| (66) 盈創再生資源有限公司 | PRC, Limited liability Company | Environmental technology in PRC | RMB 361,670 | 92.53% | 92.53% | 7.47% | 7.47% |
| (67) 中山市大信彩虹家園房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 20,000 | 51% | 51% | 49% | 49% |
| (68) 青島遠洋華歐置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 10,000 | 100% | 100% | – | – |
| (69) 悅軒(天津)置業投資有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 350,000 | 100% | 100% | – | – |
| (70) 上海銳盈置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 145,000 | 100% | 100% | – | – |
| (71) 深圳市樂安房地產有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 50,000 | 85% | 85% | 15% | 15% |
| (72) 杭州雨潤華府房地產有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 50,000 | 100% | 100% | – | – |
| (73) 杭州遠鼎盛安置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 444,140 | 51% | 51% | 49% | 49% |
| (74) 北京遠新資產管理有限公司 | PRC, Limited liability Company | Investment property in PRC | RMB 20,000 | 100% | 100% | – | – |
| (75) 北京遠捷投資顧問有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB 10,000 | 100% | 100% | – | – |
| (76) 北京遠琅投資顧問有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB 10,000 | 100% | 100% | – | – |
| (77) 中山市彩虹投資管理有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB 28,000 | 100% | 100% | – | – |

11 SUBSIDIARIES (Continued)

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|--|---|---|---|--------------------------------------|--------|---|-------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (78) 北京市佳利華經濟開發有限責任公司 | PRC, Limited liability Company | Senior housing service in PRC | RMB 30,000 | 100% | 100% | – | – |
| (79) 遠洋健康醫療投資管理(北京)有限公司 | PRC, Limited liability Company | Health & medical service in PRC | RMB 10,000 | 65% | 65% | 35% | 35% |
| (80) Ocean Homeplus Property Service Corporation Limited 遠洋億家物業服務股份有限公司 | PRC, Limited liability Company | Property management in PRC | RMB 104,000 | 100% | 100% | – | – |
| (81) 上海遠匯置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 2,200,000 | 100% | 100% | – | – |
| (82) 深圳市金楓房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 50,000 | 60% | 80% | 40% | 20% |
| (83) 深圳市高誠達投資發展有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 1,000 | 80% | 80% | 20% | 20% |
| (84) 三亞德商房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | USD 30,000 | 98.27% | 98.27% | 1.73% | 1.73% |
| (85) 北京信馳置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 10,000 | 100% | 100% | – | – |
| (86) 南京金遠置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 33,330 | 70% | 70% | 30% | 30% |
| (87) 杭州宸遠招盛置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 100,000 | 50% | 50% | 50% | 50% |
| (88) 上海椿萱茂養老服務有限公司 | PRC, Limited liability Company | Health & medical service in PRC | RMB 10,000 | 100% | 100% | – | – |
| (89) 安徽遠順投資管理有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB 10,000 | 100% | 100% | – | – |
| (90) 湖北福星惠譽常青置業有限公司 ("Hubei Fuxing") | PRC, Limited liability Company | Property development in PRC | RMB10,000 | 61% | – | 39% | – |

11 SUBSIDIARIES (Continued)

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|-------------------------|---|---|---|--------------------------------------|------|---|------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (91) 北京遠創置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB 300,000 | 75% | – | 25% | – |
| (92) 杭州宜品房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB170,000 | 100% | 100% | – | – |
| (93) 北京邦舍公寓管理有限公司 | PRC, Limited liability Company | Apartment service in PRC | RMB10,000 | 100% | 100% | – | – |
| (94) 北京遠奧置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB50,000 | 100% | – | – | – |
| (95) 天津濱海房地產經營有限公司 | PRC, Limited liability Company | Property development in PRC | RMB100,000 | 60% | – | 40% | – |
| (96) 遠馳資本管理有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB200,000 | 100% | – | – | – |
| (97) 布泉資產管理有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB100,000 | 100% | – | – | – |
| (98) 遠騰投資有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB100,000 | 100% | – | – | – |
| (99) 遠明投資管理有限公司 | PRC, Limited liability Company | Investment management in PRC | RMB100,000 | 100% | – | – | – |
| (100) 秦皇島市海洋置業房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB100,000 | 100% | – | – | – |
| (101) 遠洋地產鎮江有限公司 | PRC, Limited liability Company | Property development in PRC | RMB500,000 | 55% | – | 45% | – |
| (102) 瀋陽銀基新世紀置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB15,000 | 100% | – | – | – |
| (103) 廣州市遠翔房地產開發有限公司 | PRC, Limited liability Company | Property development in PRC | RMB1,800,000 | 100% | – | – | – |

11 SUBSIDIARIES (Continued)

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued/ paid in capital (In thousand) | Ownership interest held by the Group | | Ownership interest held by non-controlling interest | |
|--|---|---|---|--------------------------------------|--------|---|--------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| (104) 青島遠佳置業有限公司 | PRC, Limited liability Company | Property development in PRC | RMB666,670 | 100% | – | – | – |
| (105) Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司 | Hong Kong, Limited Company | Investment holding in Hong Kong | HKD 10 | 100% | 100% | – | – |
| (106) Gemini Investments (Holdings) Limited 盛洋投資(控股)有限公司 | Hong Kong, HK Listed Company | Investment holding in Hong Kong | HKD 22,550 | 69.29% | 69.29% | 30.71% | 30.71% |
| (107) Sino-Ocean Land Capital Investment Limited 遠洋地產資本投資有限公司 | BVI, Limited Company | Investment holding in BVI | USD 50 | 100% | 100% | – | – |
| (108) Shine Wind Development Limited 耀勝發展有限公司 | BVI, Limited Company | Investment holding in BVI | USD 10 | 100% | 100% | – | – |
| (109) Mission Success Limited 穎博有限公司 | Hong Kong, Limited Company | Investment holding in Hong Kong | HKD– | 100% | 100% | – | – |
| (110) Dynamic Class Limited 昇能有限公司 | Hong Kong, Limited Company | Investment holding in Hong Kong | HKD– | 100% | 100% | – | – |
| (111) Mega Precise Profits Limited | BVI, Limited Company | Investment holding in BVI | USD– | 100% | 100% | – | – |
| (112) Smart State Properties Limited | BVI, Limited Company | Investment holding in BVI | USD– | 100% | 100% | – | – |
| (113) Faith Ocean International Limited 信洋國際有限公司 | BVI, Limited Company | Investment holding in BVI | USD– | 100% | 100% | – | – |
| (114) World Luck Corporation Limited 寰福有限公司 | Hong Kong, Limited Company | Investment holding in Hong Kong | HKD– | 100% | 100% | – | – |
| (115) Fame Gain Holdings Limited 名得控股有限公司 | BVI, Limited Company | Investment holding in BVI | USD– | 100% | 100% | – | – |
| (116) Sino-Ocean Land Property Development Limited 遠洋地產國際發展有限公司 | Hong Kong, Limited Company | Investment holding in Hong Kong | HKD 20 | 100% | 100% | – | – |
| (117) Fast Fame Capital Investment Limited 迅榮創富有限公司 | Hong Kong, Limited Company | Investment holding in Hong Kong | HKD– | 100% | 100% | – | – |

11 SUBSIDIARIES (Continued)

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2017 is RMB10,226,108,000 which mainly consists of non-controlling interest of RMB271,067,000 and non-controlling interest of RMB320,654,000, deriving from Hubei Fuxing and Shenzhen Tianji, being 61.00% and 84.70% owned subsidiaries, respectively. The non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits held by Hubei Fuxing and Shenzhen Tianji amounted to RMB3,793,972,000 in aggregate are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarized balance sheet

| | Hubei Fuxing | | Shenzhen Tianji | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Current | | | | |
| Assets | 4,827,171 | – | 5,800,266 | 4,110,219 |
| Liabilities | (4,151,337) | – | (5,985,599) | (2,509,305) |
| Total current net assets | 675,834 | – | (185,333) | 1,600,914 |
| Non-current | | | | |
| Assets | 193,709 | – | 2,416,109 | 8,743 |
| Liabilities | (174,500) | – | (135,000) | (505,446) |
| Total non-current net assets | 19,209 | – | 2,281,109 | (496,703) |
| Net assets | 695,043 | – | 2,095,776 | 1,104,211 |
| Accumulated non-controlling Interest | 271,067 | – | 320,654 | 168,944 |

11 SUBSIDIARIES (Continued)

Summarized income statement

| | Hubei Fuxing | | Shenzhen Tianji | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Revenue | 3,225,023 | – | 3,512,219 | 320,638 |
| Profit before income tax | 788,293 | – | 1,787,653 | 118,004 |
| Income tax expense | (215,503) | – | (796,088) | (44,451) |
| Post-tax profit | 572,790 | – | 991,565 | 73,553 |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income | 572,790 | – | 991,565 | 73,553 |
| Total comprehensive income allocated to non-controlling Interests | 223,388 | – | 151,709 | 11,254 |

Summarized cash flows

| | Hubei Fuxing | | Shenzhen Tianji | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 1,639,384 | – | 3,085,535 | (356,863) |
| Interest paid | (88,546) | – | (2,672) | (25,807) |
| Income tax paid | (104,178) | – | (300,685) | (58,804) |
| Net cash generated from operating activities | 1,446,660 | – | 2,782,178 | (441,474) |
| Net cash (used in)/generate from investing activities | (151,313) | – | 1,004,152 | (579,878) |
| Net cash used in financing activities | (1,700,000) | – | (1,142,063) | (127,454) |
| Net (decrease)/increase in cash and cash equivalents | (404,653) | – | 2,644,267 | (1,148,806) |
| Cash and cash equivalents at beginning of the year | 727,197 | – | 827,161 | 1,975,967 |
| Exchange gains on cash and cash equivalents | – | – | – | – |
| Cash and cash equivalents at end of the year | 322,544 | – | 3,471,428 | 827,161 |

The information above is the amount before inter-company eliminations.

12 INVESTMENTS IN JOINT VENTURES

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At beginning of the year | 10,859,178 | 6,958,559 |
| Capital injection | 4,295,758 | 4,625,141 |
| Dividend | (254,473) | (22,153) |
| Disposal | (784,171) | (788,410) |
| Deemed disposal of joint ventures (Note 48(g)) | (483,832) | (9,988) |
| Increase due to partial disposal of interests in a subsidiary | 57,000 | 99,921 |
| Share of results of joint ventures | | |
| – after adjustment for unrealized profit or loss from inter-company transactions between the Group and the joint ventures | 759,125 | (24,966) |
| Share of other equity movement of equity accounted Investee (ii) | 465,146 | (34,427) |
| Currency translation difference | (193,612) | 55,501 |
| At end of the year | 14,720,119 | 10,859,178 |

(i) On 31 March 2017, the Group acquired 70% of the equity interests of Guangzhou Yuanxiang Real Estate Co., Ltd ("Guangzhou Yuanxiang"). As a result of the acquisition, Guangzhou Yuanxiang became a 100% owned subsidiary from a joint venture of the Group.

(ii) This represents the share of the changes in other comprehensive income of the joint venture of the Group.

12 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2017, all of which are unlisted:

| | Name | Country of incorporation and operation | Legal status | Issued/paid in capital (In thousand) | Effective interest held as at 31 December 2017 | Effective interest held as at 31 December 2016 | Nature of relationship | Principal activities |
|------|---|--|---------------------------|--------------------------------------|--|--|------------------------|-------------------------------|
| (1) | Beijing Linlian Property Company Limited 北京麟聯置業有限公司 | PRC | Limited liability Company | RMB 400,000 | 50% | 50% | (iii) | Land and property development |
| (2) | Chengdu Qianhao Real Estate Company Limited 成都乾豪置業有限公司 | PRC | Limited liability Company | RMB 635,267 | 50% | 50% | (iii) | Land and property development |
| (3) | Chengdu Yingang Real Estate Company Limited 成都銀港置業有限公司 | PRC | Limited liability Company | RMB 8,000 | 50% | 50% | (iii) | Land and property development |
| (4) | Beijing Yuanbotengda Business Management Company Limited 北京遠博騰達商業管理有限公司 | PRC | Limited liability Company | RMB 1,000 | 51% | 51% | (i),(iv) | Business Management |
| (5) | 北京椿萱茂凱健養老服務有限公司 | PRC | Limited liability Company | RMB 20,000 | 50% | 50% | (v) | Nursing service for the aged |
| (6) | 北京遠騰置業有限公司 | PRC | Limited liability Company | RMB 20,000 | 50% | 50% | (iii) | Land and property development |
| (7) | 深圳市遠盛業投資有限公司 | PRC | Limited liability Company | HKD 120,000 | 55% | 55% | (i),(iv) | Investment management |
| (8) | 北京遠洋新光商業管理有限公司 | PRC | Limited liability Company | RMB 5,000 | 50% | 50% | (iv) | Investment management |
| (9) | 北京遠新房地產開發有限公司 | PRC | Limited liability Company | RMB 100,000 | 50% | 50% | (iii) | Land and property development |
| (10) | 北京遠洋新揚子資產管理有限公司 | PRC | Limited liability Company | RMB 2,000 | 50% | 50% | (iv) | Investment management |
| (11) | 鴻基偉業(北京)房地產開發有限公司 | PRC | Limited liability Company | RMB 20,000 | 50% | 50% | (iii) | Land and property development |
| (12) | 北京房地鑫洋房地產開發有限公司 | PRC | Limited liability Company | RMB 30,000 | 30% | 30% | (ii),(iii) | Land and property development |
| (13) | Tianjin Yijiahe Real Estate Company Limited ("Tianjin Yijiahe") 天津市億嘉合置業有限公司 | PRC | Limited liability Company | RMB 80,000 | 51% | 51% | (i),(iii) | Land and property development |
| (14) | 南京綠洋置業有限公司 | PRC | Limited liability Company | RMB 20,000 | 50% | 50% | (iii) | Land and property development |

12 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2017, all of which are unlisted: (Continued)

| Name | Country of incorporation and operation | Legal status | Issued/paid in capital (In thousand) | Effective interest held as at 31 December 2017 | Effective interest held as at 31 December 2016 | Nature of relationship | Principal activities |
|---------------------------------|--|-------------------------------|--------------------------------------|--|--|------------------------|-------------------------------|
| (15) Gemini-Rosemont Realty LLC | USA | Limited liability Company | USD68,360 | 45% | 45% | (ii),(iii) | Land and property development |
| (16) SOL Investment Fund LP | Cayman Island | Limited Liability Partnership | HKD 2,679,000 | 50% | 50% | (iv) | Investment management |
| (17) 香河萬潤新元房地產開發有限公司 | PRC | Limited liability company | RMB 85,000 | 20% | 20% | (ii),(iii) | Land and property development |
| (18) 北京穎暉置業有限公司 | PRC | Limited liability company | RMB 100,000 | 50% | 50% | (iii) | Land and property development |
| (19) 北京房地天銳鑫洋房地產開發有限公司 | PRC | Limited liability company | RMB 41,180 | 30% | 30% | (ii),(iii) | Land and property development |
| (20) 上海新證財經信息諮詢有限公司 | PRC | Limited liability company | RMB 100,000 | 22% | 22% | (ii),(v) | Consulting service |
| (21) 中山市大信融佳商業投資有限公司 | PRC | Limited liability company | RMB 1,000 | 25% | 25% | (ii),(iv) | Investment management |
| (22) 中山市遠昇房地產開發有限公司 | PRC | Limited liability company | RMB 20,400 | 25% | 25% | (ii),(iii) | Land and property development |
| (23) 北京卓信瑞通投資有限公司 | PRC | Limited liability company | RMB 1,000 | 33% | 33% | (ii),(iv) | Investment management |
| (24) 天津旭浩房地產開發有限公司 | PRC | Limited liability company | RMB 120,000 | 25% | 25% | (ii),(iii) | Land and property development |
| (25) 重慶遠香房地產開發有限公司 | PRC | Limited liability company | RMB 32,108 | 38% | 38% | (ii),(iii) | Land and property development |
| (26) 北京豐源琅苑生態農業發展有限公司 | PRC | Limited liability company | RMB 1,000 | 51% | 51% | (i),(v) | Agricultural development |
| (27) 北京紫金長寧房地產開發有限責任公司 | PRC | Limited liability company | RMB 198,500 | 50% | 50% | (iii) | Land and property development |
| (28) 北京中聯置地房地產開發有限公司 | PRC | Limited liability company | RMB 560,000 | 49% | 49% | (ii),(iii) | Land and property development |
| (29) 鷹潭市信銀致遠投資有限合夥企業 | PRC | Limited Liability partnership | RMB 10,000,010 | 40% | 40% | (ii),(iv) | Investment management |
| (30) 信銀振華三號房地產私募投資基金 | PRC | Limited Liability partnership | RMB 8,100,000 | 33% | 33% | (ii),(iv) | Investment management |
| (31) 天津市遠銘置業有限公司 | PRC | Limited liability company | RMB 50,000 | 60% | 90% | (i),(iii) | Land and property development |

12 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2017, all of which are unlisted: (Continued)

| Name | Country of incorporation and operation | Legal status | Issued/paid in capital (In thousand) | Effective interest held as at 31 December 2017 | Effective interest held as at 31 December 2016 | Nature of relationship | Principal activities |
|----------------------------|--|-------------------------------|--------------------------------------|--|--|------------------------|-------------------------------|
| (32) 寧波遠吉德信投資管理合夥企業 (有限合夥) | PRC | Limited Liability partnership | RMB 101,000 | 50% | 50% | (iv) | Investment management |
| (33) 北京新揚子投資基金管理中心 (有限合夥) | PRC | Limited Liability partnership | RMB 1,000,000 | 50% | 50% | (ii),(iv) | Investment management |
| (34) 廊坊市裕豐房地產開發有限公司 | PRC | Limited liability company | RMB 50,000 | 51% | – | (i),(iii) | Land and property development |
| (35) 北京房地銘洋房地產開發有限公司 | PRC | Limited liability company | RMB 30,000 | 49% | – | (ii),(iii) | Land and property development |
| (36) 廣州華年喜年房地產開發有限公司 | PRC | Limited liability company | RMB 10,000 | 51% | – | (i),(iii) | Land and property development |
| (37) 武漢遠慧企業管理諮詢有限公司 | PRC | Limited liability company | RMB 10,000 | 15% | – | (ii),(v) | Investment management |
| (38) 武漢遠正企業管理諮詢有限公司 | PRC | Limited liability company | RMB 10,000 | 15% | – | (ii),(v) | Investment management |
| (39) 張家口富利嘉房地產開發有限公司 | PRC | Limited liability company | RMB 30,000 | 60% | – | (i),(iii) | Land and property development |
| (40) 河北川匯房地產開發有限公司 | PRC | Limited liability company | RMB 5,000 | 51% | – | (i),(iii) | Land and property development |
| (41) 石家莊永熹房地產開發有限公司 | PRC | Limited liability company | RMB 10,000 | 20% | – | (ii),(iii) | Land and property development |
| (42) 深圳市遠康置地投資有限公司 | PRC | Limited liability company | RMB 50,000 | 65% | – | (i),(iv) | Investment management |
| (43) 長春王府井遠洋商業投資有限公司 | PRC | Limited liability company | RMB 50,000 | 40% | – | (ii),(iv) | Investment management |
| (44) 中山祥盛房地產開發有限公司 | PRC | Limited liability company | RMB 100,000 | 50% | – | (iii) | Land and property development |
| (45) 深圳遠東碧海置地有限公司 | PRC | Limited liability company | RMB 10,000 | 51% | – | (i),(iii) | Land and property development |
| (46) 深圳市奧益投資有限公司 | PRC | Limited liability company | RMB 50,000 | 55% | – | (i),(iv) | Investment management |
| (47) 蘇州奧遠房地產開發有限公司 | PRC | Limited liability company | RMB 20,000 | 34% | – | (ii),(iii) | Land and property development |
| (48) 合肥永拓置業發展有限公司 | PRC | Limited liability company | RMB 400,000 | 25% | – | (ii),(iii) | Land and property development |

12 INVESTMENTS IN JOINT VENTURES (Continued)

- (a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2017, all of which are unlisted: (Continued)

| Name | Country of incorporation and operation | Legal status | Issued/paid in capital (In thousand) | Effective interest held as at 31 December 2017 | Effective interest held as at 31 December 2016 | Nature of relationship | Principal activities |
|---------------------------|--|-------------------------------|--------------------------------------|--|--|------------------------|-------------------------------|
| (49) 深圳市國通厚德房地產開發有限公司 | PRC | Limited liability company | RMB 10,000 | 70% | – | (i),(iii) | Land and property development |
| (50) 鄭州建業十八城置業有限公司 | PRC | Limited liability company | RMB 200,000 | 50% | – | (iii) | Land and property development |
| (51) 深圳遠愛投資合伙企业(有限合伙) | PRC | Limited Liability partnership | RMB 375,050 | 33% | – | (ii),(v) | Investment management |
| (52) 寧波遠吉朗融投資管理合伙企业(有限合伙) | PRC | Limited Liability partnership | RMB 1,000,200 | 50% | – | (iv) | Investment management |
| (53) 北京潭拓興業房地產開發有限公司 | PRC | Limited liability company | RMB 300,000 | 10% | – | (ii),(iii) | Land and property development |
| (54) 北京遠創興茂置業有限公司 | PRC | Limited liability company | RMB 100,000 | 40% | – | (ii),(iii) | Land and property development |
| (55) 南寧金象遠洋基金管理有限公司 | PRC | Limited liability company | RMB 10,000 | 35% | – | (ii),(iv) | Investment management |
| (56) 昆明吉興達房地產開發有限公司 | PRC | Limited liability company | RMB 200,000 | 55% | – | (i),(iii) | Land and property development |
| (57) 愛車(天津)房地產開發有限公司 | PRC | Limited liability company | RMB 150,000 | 50% | – | (iii) | Land and property development |
| (58) 贏家(天津)房地產開發有限公司 | PRC | Limited liability company | RMB 850,000 | 50% | – | (iii) | Land and property development |
| (59) 山西龍城遠洋置業有限公司 | PRC | Limited liability company | RMB 10,000 | 44% | – | (ii),(iii) | Land and property development |
| (60) 成都嘉豆房地產有限責任公司 | PRC | Limited liability company | RMB 10,000 | 60% | – | (i),(iii) | Land and property development |
| (61) 北京創遠亦程置業有限公司 | PRC | Limited liability company | RMB 100,000 | 50% | – | (iii) | Land and property development |
| (62) 佛山昱辰房地產開發有限公司 | PRC | Limited liability company | RMB 20,000 | 50% | – | (iii) | Land and property development |
| (63) 深圳市居達成投資有限公司 | PRC | Limited liability company | RMB 100,000 | 60% | – | (i),(iv) | Investment management |

12 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2017, all of which are unlisted: (Continued)

| Name | Country of incorporation and operation | Legal status | Issued/paid in capital (In thousand) | Effective interest held as at 31 December 2017 | Effective interest held as at 31 December 2016 | Nature of relationship | Principal activities |
|---------------------|--|---------------------------|--------------------------------------|--|--|------------------------|-------------------------------|
| (64) 上海雋品置業有限公司 | PRC | Limited liability company | RMB 50,000 | 51% | – | (i),(iii) | Land and property development |
| (65) 大連世紀橋置業有限公司 | PRC | Limited liability company | RMB 190,000 | 10% | – | (ii),(iii) | Land and property development |
| (66) 四川朗遠恒潤企業管理有限公司 | PRC | Limited liability company | RMB 10,000 | 50% | – | (iv) | Investment management |
| (67) 太倉遠匯置業有限公司 | PRC | Limited liability company | RMB 200,000 | 34% | – | (ii),(iii) | Land and property development |
| (68) 北京遠和置業有限公司 | PRC | Limited liability company | RMB 10,000 | 25% | – | (ii),(iii) | Land and property development |
| (69) 杭州雋洋置業有限公司 | PRC | Limited liability company | RMB 50,000 | 49% | – | (ii),(iii) | Land and property development |
| (70) 珠海市遠致房地產開發有限公司 | PRC | Limited liability company | RMB 50,000 | 70% | – | (i),(iii) | Land and property development |
| (71) 河南優居房地產開發有限公司 | PRC | Limited liability company | RMB 20,000 | 60% | – | (i),(iii) | Land and property development |
| (72) 上海遠緒置業有限公司 | PRC | Limited liability company | RMB 10,000 | 50% | – | (iii) | Land and property development |
| (73) 天津吉慶置業有限公司 | PRC | Limited liability company | RMB 30,000 | 50% | – | (iii) | Land and property development |
| (74) 上海鄭明現代物流有限公司 | PRC | Limited liability Company | RMB 88,097 | 15.13% | – | (i),(iii) | Logistics management |

12 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2017, all of which are unlisted: (Continued)

- (i) Although the Group holds more than 50% of the equity shares of these entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of the twenty entities. Accordingly, these entities are considered as joint ventures of the Group by the directors.
- (ii) Although the Group holds less than 50% of the equity shares of these entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of these entities. Accordingly, these entities are considered as joint ventures of the Group by the directors.
- (iii) Investments in these joint ventures provide more opportunities to explore business in property development and investment properties.
- (iv) Investments in these joint ventures provide more opportunities to explore business in real estate investment activities.
- (v) Investments in these joint ventures provide more opportunities for the Group to explore business in other business activities.
- (vi) As at 31 December 2017, the Group has the outstanding capital commitment to joint ventures amounting to RMB116,110,000 (2016: RMB25,600,000).

(b) Individually immaterial joint venture

The Group has interests in individually immaterial joint ventures that are accounted for using the equity method.

| | Total | |
|---|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Aggregate carrying amount of individually immaterial joint ventures | 14,720,119 | 10,859,178 |
| Aggregate amounts of the Group's share of: | | |
| Profit from continuing operations | 802,213 | 52,265 |
| Other comprehensive income | 465,146 | (34,427) |
| Total comprehensive income | 1,267,359 | 17,838 |

13 INVESTMENTS IN ASSOCIATES

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At beginning of the year | 3,018,922 | 2,773,307 |
| Capital injection | 1,875,599 | 565,801 |
| Transfer from available-for-sale financial assets | 75,600 | 1,034,342 |
| Disposal | (231,579) | (226,219) |
| Dividend | (8,041) | (1,750) |
| Deemed disposal of associates (Note 48(d)) | (84,961) | (1,076,438) |
| Increase due to partial disposal of interests in subsidiaries | – | 4,716 |
| Share of results of associates | | |
| – after adjustment for unrealized profit or loss from inter-company transactions between the Group and the associates | 44,896 | (54,837) |
| Currency translation difference | (127,474) | – |
| At end of the year | 4,562,962 | 3,018,922 |

- (i) On 31 March 2017, the Group acquired 85% of the equity interests of Shenyang Yinji Xinshijie Real Estate Co., Ltd ("Shenyang Yinji"). As a result of the acquisition, Shenyang Yinji became a wholly owned subsidiary from an associate of the Group.

13 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of all of the associates of the Group at 31 December 2017:

| Name | Country of incorporation and operation | Legal status | Issued/paid in capital (In thousand) | Effective interest held as at 31 December 2017 | Effective interest held as at 31 December 2016 | Nature of the relationship | Principal activities |
|---|--|-------------------------------|--------------------------------------|--|--|----------------------------|--|
| (1) Beijing Central Business District Development and Construction Company Limited ("Beijing CBD") 北京商務中心區開發建設有限公司 | PRC | Limited liability Company | RMB 680,850 | 47% | 47% | (ii) | Land development |
| (2) Guoshou Yuantong Real Estate Company Limited ("Guoshou Yuantong") 國壽遠通置業有限公司 | PRC | Limited liability Company | RMB 2,500,000 | 10% | 10% | (i), (ii) | Property development and investment services |
| (3) Beijing Shengyong Property Development and investment Company Limited ("Beijing Shengyong") 北京盛永置業投資有限公司 | PRC | Limited liability Company | RMB 500,000 | 35% | 35% | (ii) | Property development and investment services |
| (4) CIGIS (China) Company Limited 建設綜合勘察研究設計院有限公司 | PRC | Limited liability Company | RMB 50,000 | 35% | 35% | (iii) | Survey and design |
| (5) Chongqing Yuanteng Real Estate Development Limited 重慶遠騰房地產開發有限公司 | PRC | Limited liability Company | RMB 1,100,000 | 42.25% | 42.25% | (ii) | Land and property development |
| (6) 北京中集車輛物流裝備有限公司 | PRC | Limited liability Company | RMB 20,000 | 70% | 70% | (ii),(vi) | Land and property development |
| (7) 北京興佑君泰房地產開發有限公司 | PRC | Limited liability Company | RMB 90,000 | 21% | 21% | (ii) | Land and property development |
| (8) 北京達成光遠置業有限公司 | PRC | Limited liability Company | RMB 100,000 | 23% | 23% | (ii) | Land and property development |
| (9) 廣州宏軒房地產開發有限公司 | PRC | Limited liability Company | RMB 300,000 | 16.66% | 16.66% | (i),(ii) | Land and property development |
| (10) 廣州宏嘉房地產開發有限公司 | PRC | Limited liability Company | RMB 300,000 | 16.66% | 16.66% | (i),(ii) | Land and property development |
| (11) 廣州環曜房地產開發有限公司 | PRC | Limited liability Company | RMB 300,000 | 16.66% | 16.66% | (i),(ii) | Land and property development |
| (12) 深圳遠景融資租賃有限公司 | PRC | Limited liability Company | USD 200,000 | 45% | 45% | (iii) | Finance lease |
| (13) 中山市金馬游藝機有限公司 | PRC | Limited liability Company | RMB 16,320 | 15% | 15% | (i),(iii) | Entertainment development |
| (14) 杭州博聯投資管理合夥企業 (有限合夥) | PRC | Limited liability Partnership | RMB 633,500 | 29.95% | 29.95% | (iv) | Investment management |
| (15) 中交地產(海口)有限公司 | PRC | Limited liability Company | RMB 400,000 | 30% | 30% | (ii) | Land and property development |

13 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of all of the associates of the Group at 31 December 2017: (Continued)

| | Name | Country of incorporation and operation | Legal status | Issued/paid in capital (In thousand) | Effective interest held as at 31 December 2017 | Effective interest held as at 31 December 2016 | Nature of the relationship | Principal activities |
|------|--|--|---------------------------|--------------------------------------|--|--|----------------------------|-------------------------------|
| (16) | Beijing Capital Juda Limited 首創鉅大有限公司 | Cayman Island | Limited liability Company | HKD 20,345 | 9.9% | 9.9% | (i),(ii) | Land and property development |
| (17) | China Logistics Property Holdings Co., Ltd 中國物流資產控股有限公司 | Cayman Island | Limited liability Company | USD 184 | 9.85% | 9.85% | (i),(iii) | Logistics management |
| (18) | 深圳市遠景置業有限公司 | PRC | Limited liability Company | RMB 20,000 | 26% | 26% | (ii) | Land and property development |
| (19) | 中資國信資產管理有限公司 | PRC | Limited liability Company | RMB 300,000 | 19% | 19% | (i),(iii) | Property management |
| (20) | 重慶騰基物業管理有限公司 | PRC | Limited liability Company | RMB 3,000 | 49% | 49% | (ii) | Land and property development |
| (21) | 重慶遠朗房地產開發有限公司 | PRC | Limited liability Company | RMB 233,540 | 37.71% | 37.71% | (ii) | Land and property development |
| (22) | 重慶遠基房地產開發有限公司 | PRC | Limited liability Company | RMB 667,000 | 37.71% | 37.71% | (ii) | Land and property development |
| (23) | 上海崇遠企業管理諮詢有限公司 | PRC | Limited liability Company | RMB 10,000 | 33% | 33% | (ii) | Land and property development |
| (24) | 杭州北晨房地產開發有限公司 | PRC | Limited liability Company | RMB 100,000 | 50% | – | (ii) | Land and property development |
| (25) | 武漢遠駿置業有限公司 | PRC | Limited liability Company | RMB 50,000 | 34% | – | (ii) | Land and property development |
| (26) | 盛鼎股權投資基金管理有限責任公司 | PRC | Limited liability Company | RMB 100,000 | 19% | – | (i),(iv) | Investment management |
| (27) | 盛華財富投資管理有限公司 | PRC | Limited liability Company | RMB 100,000 | 19% | – | (i),(iv) | Investment management |
| (28) | 長春市元亨房地產開發有限公司 | PRC | Limited liability Company | RMB 10,000 | 20% | – | (ii) | Land and property development |
| (29) | 天津遠卓商貿有限公司 | PRC | Limited liability Company | RMB 10,000 | 15% | – | (i),(iii) | Logistics management |
| (30) | 上海久耶供應鏈管理有限公司 | PRC | Limited liability Company | RMB 2,318 | 36% | – | (iii) | Logistics management |
| (31) | 天津中建致恒地產有限公司 | PRC | Limited liability Company | RMB 70,000 | 43% | – | (ii) | Land and property development |
| (32) | 石家莊安聯房地產開發有限公司 | PRC | Limited liability Company | RMB 20,000 | 30% | – | (ii) | Land and property development |
| (33) | 江西軍邦房地產開發有限公司 | PRC | Limited liability Company | RMB 30,000 | 51% | – | (ii) | Land and property development |

13 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of all of the associates of the Group at 31 December 2017: (Continued)

| Name | Country of incorporation and operation | Legal status | Issued/paid in capital (In thousand) | Effective interest held as at 31 December 2017 | Effective interest held as at 31 December 2016 | Nature of the relationship | Principal activities |
|-----------------------------|--|-------------------------------|--------------------------------------|--|--|----------------------------|--|
| (34) 成都青銅匯股權投資基金合夥企業 (有限合夥) | PRC | Limited Liability partnership | RMB 700,000 | 43% | – | (iv) | Investment management |
| (35) 南昌市立成文化藝術有限公司 | PRC | Limited liability Company | RMB 10,000 | 20% | – | (ii) | Land and property development |
| (36) 北京瑞成永創科技有限公司 | PRC | Limited liability Company | RMB 50,000 | 22% | – | (v) | Scientific research and technical services |
| (37) 廈門國遠同豐置業有限公司 | PRC | Limited liability Company | RMB 98,000 | 49% | – | (ii) | Land and property development |
| (38) 南昌國遠盈潤置業有限公司 | PRC | Limited liability Company | RMB 98,000 | 49% | – | (ii) | Land and property development |
| (39) 長沙雙湖置業有限公司 | PRC | Limited liability Company | RMB 30,000 | 10% | – | (i),(ii) | Land and property development |
| (40) 北京融德房地產開發有限公司 | PRC | Limited liability Company | RMB 10,000 | 49% | – | (ii) | Land and property development |
| (41) 北京美中宜和醫療管理有限公司 | PRC | Limited liability Company | RMB 1,177,275 | 14.51% | – | (i),(v) | Healthcare Management |
| (42) 北京盈創再生資源回收有限公司 | PRC | Limited liability Company | RMB 23,683 | 21.34% | – | (v) | Resource recovery |
| (43) 瀋陽美德因婦兒醫院股份有限公司 | PRC | Limited liability Company | RMB 29,323 | 14.42% | – | (v) | Healthcare Management |
| (44) 北京恒泰博車拍賣有限公司 | PRC | Limited liability Company | RMB 34,018 | 6.33% | – | (v) | Auto Auction |

Among the associates mentioned above, Beijing Capital Juda Limited and China Logistics Property Holdings Co., Ltd are listed on Stock Exchange of Hong Kong Ltd, the quoted fair value and carrying amount thereof presented as below:

| Name | Country of incorporation and operation | Legal status | Quoted market value | | Carrying amount | |
|--|--|---------------------------|---------------------|-----------------|-----------------|-----------------|
| | | | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| (1) Beijing Capital Juda Limited | PRC | Limited liability Company | 155,164 | 166,042 | 139,770 | 178,816 |
| (2) China Logistics Property Holdings Co., Ltd | PRC | Limited liability Company | 608,626 | 1,333,591 | 883,040 | 866,987 |

13 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of all of the associates of the Group at 31 December 2017: (Continued)

- (i) Although the Group holds less than 20% of the equity shares of these entities, the Group exercises significant influence under the contractual agreements in the strategic financial and operating policy decisions of these companies.
- (ii) Investments in these associates provide more opportunities to explore business in property development.
- (iii) Investments in these associates provide more opportunities to involve in related services to support property development, such as architectural design and property management.
- (iv) Investments in these associates provide more opportunities to explore business in real estate investment activities.
- (v) Investments in these associates provide more opportunities to explore business in other activities.
- (vi) Although the Group holds 70% of the equity shares of this company, the Group exercises significant influence under the contractual agreements in the strategic financial and operating policy decisions of the company. Accordingly, the company is considered as an associate of the Group by the directors.
- (vii) As at 31 December 2017, the Group has the outstanding capital commitment to associates amounting to RMB299,275,000 (2016: nil).

(b) **Individually immaterial associates**

The Group has interests in individually immaterial associates that are accounted for using the equity method.

| | 2017 RMB'000 | 2016 RMB'000 |
|---|------------------|-----------------|
| Aggregate carrying amount of individually immaterial associates | 4,562,962 | 3,018,922 |
| Aggregate amounts of the Group's share of: | | |
| Profit from continuing operations | 63,967 | (42,025) |
| Other comprehensive income | – | – |
| Total comprehensive income | 63,967 | (42,025) |

14 FINANCIAL INSTRUMENTS BY CATEGORY

| | Loans and receivables RMB'000 | Assets at fair value through profit and loss RMB'000 | Available- for-sale financial assets RMB'000 | Total RMB'000 |
|--|-------------------------------------|---|---|------------------|
| Assets | | | | |
| As at 31 December 2017 | | | | |
| Available-for-sale financial assets (Note 16) | – | – | 3,708,978 | 3,708,978 |
| Financial assets at fair value through profit or loss (Note 17) | – | 14,656 | – | 14,656 |
| Trade and other receivables and prepayments excluding prepayments | 42,949,104 | – | – | 42,949,104 |
| Restricted bank deposits (Note 24) | 2,797,531 | – | – | 2,797,531 |
| Cash and cash equivalents (Note 25) | 21,968,819 | – | – | 21,968,819 |
| | 67,715,454 | 14,656 | 3,708,978 | 71,439,088 |
| As at 31 December 2016 | | | | |
| Available-for-sale financial assets (Note 16) | – | – | 3,653,653 | 3,653,653 |
| Financial assets at fair value through profit or loss (Note 17) | – | 355,228 | – | 355,228 |
| Trade and other receivables and prepayments excluding prepayments | 29,032,160 | – | – | 29,032,160 |
| Restricted bank deposits (Note 24) | 3,288,450 | – | – | 3,288,450 |
| Cash and cash equivalents (Note 25) | 19,052,833 | – | – | 19,052,833 |
| | 51,373,443 | 355,228 | 3,653,653 | 55,382,324 |
| | | | Other financial liabilities RMB'000 | |
| Liabilities | | | | |
| As at 31 December 2017 | | | | |
| Borrowings (Note 32) | | | | 61,032,154 |
| Trade and other payables excluding tax payables | | | | 36,884,041 |
| | | | | 97,916,195 |
| As at 31 December 2016 | | | | |
| Borrowings (Note 32) | | | | 43,809,819 |
| Trade and other payables excluding tax payables | | | | 33,320,397 |
| | | | | 77,130,216 |

15 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Trade receivables | | |
| Counterparties without external credit rating | 1,059,232 | 1,107,888 |
| Trade receivables that are neither past due nor impaired | 631,521 | 484,424 |

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Entrusted loans and amount due from third parties, joint ventures, associates and non-controlling interest | | |
| Counterparties without external credit rating | 37,601,201 | 24,427,841 |

The recoverability of entrusted loans and amount due from third parties, joint ventures, associates and non-controlling interest and other receivables is assessed taking into account of the aging, past experiences, the financial position of the counter parties and other factors. The management does not expect any significant losses from non-performance by the counterparties.

All bank deposits are with "Big-four" state-owned banks, joint-equity banks and other reputable corporate banks. None of the bank deposits is considered as exposed to major credit risk.

None of the financial assets that are fully performing has been renegotiated in 2017 and 2016.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | As at 31 December | |
|--|--------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Investment in listed equity securities (a) | 166,267 | 161,985 |
| Investment in other unlisted equity securities (b) | 1,007,586 | 1,246,715 |
| Investment in fund investments (c) | 2,526,469 | 2,112,624 |
| Others | 8,656 | 132,329 |
| | 3,708,978 | 3,653,653 |
| Less: Non-current portion | (3,708,978) | (3,653,653) |
| Current portion | – | – |

- (a) Investment in listed equity securities is stated at fair value based on the quoted price of the equity securities.
- (b) Available-for-sale financial assets of the Group include certain unlisted equity securities, mainly denominated in RMB and HKD. For the valuation of unlisted equity securities, please refer to Note 4.3.
- (c) To diversify the Group's securities investment risk and further enhance the return of the Group's investments, the Group has invested in several unlisted funds amounting to RMB2,526,469,000 as at 31 December 2017. For the valuation of fund investment, please refer to Note 4.3.

These funds are incorporated in the Cayman Islands or the PRC, the investment portfolio would concentrate on, but not limited to, both listed and unlisted securities, derivative contracts, corporate investments, foreign exchange and commodities, collective investment schemes and real estate properties to achieve capital appreciation. As at 31 December 2017, the underlying portfolio invested by fund investments are all properties located in the United States and Hong Kong.

As the Group has no power to govern or participate the financial operating policies of the fund investment entities so as to obtain benefits from its activities and does not intend to trade for short-term profit, the directors of the Company designated the unlisted fund investments as available-for-sale financial asset.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets include the following:

| | As at 31 December | |
|-------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Fair value: | | |
| — listed | 166,267 | 161,985 |
| — unlisted | 3,542,711 | 3,491,668 |
| | 3,708,978 | 3,653,653 |

Available-for-sale financial assets are denominated in the following currencies:

| | As at 31 December | |
|---------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| — HKD | 1,101,910 | 1,089,818 |
| — RMB | 491,225 | 548,223 |
| — USD | 2,115,843 | 1,935,124 |
| — Australian Dollar | — | 80,488 |
| | 3,708,978 | 3,653,653 |

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Year ended 31 December | |
|---------------------------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Listed securities — held-for-trading | | |
| Equity securities listed in PRC | 12,808 | — |
| Equity securities listed in Hong Kong | 71,349 | 47,403 |
| Equity securities listed in USA | 172,815 | 143,377 |
| Derivatives — held-for-trading | | |
| Forward foreign exchange contracts | (242,316) | 164,448 |
| | 14,656 | 355,228 |

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in “other gains/(losses) — net” in the income statement.

The fair values of all equity securities is based on their current bid prices in an active market.

The notional principal amount of forward foreign exchange contracts at 31 December 2017 was RMB10,069,202,000. These contract will mature during the year from 2018 to 2022.

18 PROPERTIES UNDER DEVELOPMENT

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At beginning of the year | 33,900,115 | 38,037,060 |
| Additions | 15,793,637 | 15,539,629 |
| Acquisition of subsidiaries | 26,679,599 | 7,425,085 |
| Disposal of entire interests in a subsidiary (Note 47(a)) | (60,196) | — |
| Provision for impairment | — | (42,297) |
| Transfer to completed properties held for sale | (28,545,712) | (27,059,362) |
| At end of the year | 47,767,443 | 33,900,115 |
| Properties under development comprises: | | |
| Land use rights | 22,288,540 | 16,947,467 |
| Construction costs and capitalized expenditure | 19,041,138 | 12,879,512 |
| Interest capitalized | 6,437,765 | 4,073,136 |
| | 47,767,443 | 33,900,115 |

18 PROPERTIES UNDER DEVELOPMENT (Continued)

Properties under development are mainly located in the PRC.

As at 31 December 2017, properties under development of approximately RMB9,010,782,000 (2016: nil) were pledged as collateral for the Group's borrowings.

All properties under development are expected to be completed within the normal operating cycle of the Group, in which RMB19,788,259,000 (2016: RMB21,665,086,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

19 LAND DEVELOPMENT COST RECOVERABLE

Land development cost recoverable refers to capitalized costs on primary land development projects. The land use right certificates belong to the government for these projects. Main activities for primary land development projects included house dismantlement and land leveling works, in order to make sure the land is connected to water, gas, and electric power supplies.

20 PREPAYMENTS FOR LAND USE RIGHTS

| | As at 31 December | |
|------------------------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Deposits to local land authorities | 7,507,699 | 5,983,061 |

The prepayments were paid to local land authorities for land use rights as at 31 December 2017 and 2016, respectively. Once the title of land is transferred to the Group, the land will be used to develop properties held for sale.

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31 December | | | | | |
|--|--------------------|----------------------------|------------------|--------------------|----------------------------|------------------|
| | 2017 | | | 2016 | | |
| | Current RMB'000 | Non- current RMB'000 | Total RMB'000 | Current RMB'000 | 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 (b) | 250,000 | 2,906,809 | 3,156,809 | 276,774 | 4,794,437 | 5,071,211 |
| Entrusted loans to joint ventures (c) | 454,092 | 4,599,763 | 5,053,855 | 2,496,366 | 3,605,434 | 6,101,800 |
| Entrusted loans to associates (d) | – | 580,306 | 580,306 | – | 617,106 | 617,106 |
| Entrusted loans to non-controlling interests (e) | 749,298 | – | 749,298 | 446,430 | – | 446,430 |
| Receivables from government (f) | 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 (g) | 15,837,149 | – | 15,837,149 | 4,519,138 | – | 4,519,138 |
| Amounts due from associates (g) | 7,638,158 | – | 7,638,158 | 2,828,199 | – | 2,828,199 |
| Amounts due from non-controlling interests (g) | 2,892,709 | – | 2,892,709 | 1,323,284 | – | 1,323,284 |
| Amounts due from third parties (g) | 1,692,922 | – | 1,692,922 | 3,520,673 | – | 3,520,673 |
| Cooperation deposits (h) | 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 |

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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, and the credit term is very short, 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 |
| | 1,059,232 | 1,107,888 |

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

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) As at 31 December 2017 and 2016, entrusted loans to third parties comprised:

| | As at 31 December | |
|---------------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Unsecured loans (i) | 2,956,809 | 4,551,254 |
| Secured loans (ii) | 200,000 | 519,957 |
| | 3,156,809 | 5,071,211 |
| Less: Non-current portion | (2,906,809) | (4,794,437) |
| | 250,000 | 276,774 |

(i) Such loans bear interest ramping from 3.5% to 15% per annum (2016: from 3.5% to 10%).

(ii) Such loans bear interest of 8% per annum (2016: from 4.85% to 12.1%).

(c) Entrusted loans to joint ventures are unsecured, interest bearing from 3.38% to 16% per annum (2016: 3.38% to 12%). RMB454,092,000 (2016: RMB2,496,366,000) out of the balances are repayable within one year. The remaining balances of RMB4,599,763,000 (2016: RMB3,605,434,000) are repayable from 2019 to 2022 and included in the non-current portion.

(d) Such entrusted loan to an associate is unsecured, bearing interest from 6.62% to 8% per annum (2016: 5.31% per annum). The balance of RMB580,306,000 (2016: RMB617,106,000) is repayable from 2019 to 2022 and included in the non-current portion.

(e) Entrusted loans to a non-controlling interest is unsecured, interest from 9% to 12% per annum (2016: 12% per annum). RMB749,298,000 (2016: RMB446,430,000) out of the balances are repayable within one year.

(f) Receivables from government mainly represent payment made for land development cost, some deposits paid to government to ensure the business activities of properties development, and the amounts paid to government with the intention of possible future cooperation in real estate project development, which will be subsequently refunded by the government.

(g) Amounts due from joint ventures, associates, non-controlling interests and third parties are unsecured, interest free, and the Group expected that these amounts will be recovered within one year.

(h) Balances represent amounts paid to certain third parties, with the intention of future cooperation in real estate project development. As at 31 December 2017, such cooperation is still in negotiation stage.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables and prepayments are mainly denominated in RMB.

22 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leasehold lands with lease terms between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2017 and 2016, respectively.

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Completed properties held for sale comprised: | | |
| Land use rights | 5,709,739 | 4,659,302 |
| Construction costs and capitalized expenditure | 11,269,294 | 10,028,778 |
| Interest capitalized | 2,434,444 | 3,370,035 |
| | 19,413,477 | 18,058,115 |

Movements on the provision for impairment of completed properties held for sale are as follows:

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At beginning of the year | 81,886 | 70,937 |
| Addition | 77,195 | 53,063 |
| Write off upon sales of completed properties held for sale | (21,946) | (42,114) |
| At end of the year | 137,135 | 81,886 |

As at 31 December 2017, RMB2,030,928,000 completed properties held for sale (2016: nil) were pledged as collateral for the Group's borrowings.

23 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Contract cost incurred plus recognized profit | 4,355,771 | 4,735,773 |
| Less: progress receivables | (3,842,247) | (4,197,202) |
| Contract work-in-progress | 513,524 | 538,571 |
| Representing: | | |
| Amounts due from customers for contract work | 513,524 | 538,571 |

23 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK (Continued)

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Contract revenue recognized as revenue in the year | 1,187,868 | 1,281,775 |

24 RESTRICTED BANK DEPOSITS

Restricted bank deposits are mainly denominated in RMB, which are guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balances also include guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements. The effective interest rate on restricted bank deposits ranging from 0.4% to 1.775% for the year ended 31 December 2017.

25 CASH AND CASH EQUIVALENTS

| | As at 31 December | |
|---------------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Cash at bank and in hand | 21,466,938 | 17,712,417 |
| Short-term bank deposits | 501,881 | 1,340,416 |
| Cash and cash equivalents | 21,968,819 | 19,052,833 |
| Denominated in: | | |
| — RMB | 18,657,485 | 16,074,827 |
| — HKD | 1,682,970 | 539,390 |
| — USD | 1,625,348 | 2,384,012 |
| — Other currencies | 3,016 | 54,604 |
| | 21,968,819 | 19,052,833 |

The Group's cash and cash equivalents denominated are deposited with banks in the Mainland China and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within the PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

26 CAPITAL

| | Number of ordinary shares | Share capital HKD'000 | Equivalent share capital RMB'000 | Shares held for Restricted Share Award Scheme RMB'000 | Total RMB'000 |
|---|---------------------------------|--------------------------|--|---|-------------------|
| Opening balance | | | | | |
| 1 January 2017 | 7,513,879,657 | 29,923,363 | 26,920,490 | – | 26,920,490 |
| Issue of shares pursuant to exercise of employee share options | 50,729,000 | 240,674 | 205,043 | – | 205,043 |
| Vesting of shares under Restricted Share Award Scheme | – | 5,650 | 4,081 | – | 4,081 |
| | 7,564,608,657 | 30,169,687 | 27,129,614 | – | 27,129,614 |
| Restricted Share Award Scheme (a) | | | | | |
| Opening balance | | | | | |
| 1 January 2017 | (52,942,116) | – | – | (147,280) | (147,280) |
| Shares purchased during the year | (8,344,154) | – | – | (37,712) | (37,712) |
| Vesting of shares under Restricted Share Award Scheme | 14,651,046 | – | – | 44,246 | 44,246 |
| At 31 December 2017 | (46,635,224) | – | – | (140,746) | (140,746) |
| At 31 December 2017 | 7,517,973,433 | 30,169,687 | 27,129,614 | (140,746) | 26,988,868 |

| | Number of ordinary shares | Share capital HKD'000 | Equivalent share capital RMB'000 | Shares held for Restricted Share Award Scheme RMB'000 | Total RMB'000 |
|---|---------------------------------|--------------------------|--|---|-------------------|
| Opening balance | | | | | |
| 1 January 2016 | 7,513,589,657 | 29,910,127 | 26,915,412 | – | 26,915,412 |
| Issue of shares pursuant to exercise of employee share options | 290,000 | 1,421 | 1,196 | – | 1,196 |
| Vesting of shares under Restricted Share Award Scheme | – | 11,815 | 3,882 | – | 3,882 |
| | 7,513,879,657 | 29,923,363 | 26,920,490 | – | 26,920,490 |
| Restricted Share Award Scheme (a) | | | | | |
| Opening balance | | | | | |
| 1 January 2016 | (9,026,813) | – | – | (32,366) | (32,366) |
| Shares purchased during the year | (63,800,150) | – | – | (181,439) | (181,439) |
| Vesting of shares under Restricted Share Award Scheme | 19,884,847 | – | – | 66,525 | 66,525 |
| At 31 December 2016 | (52,942,116) | – | – | (147,280) | (147,280) |
| At 31 December 2016 | 7,460,937,541 | 29,923,363 | 26,920,490 | (147,280) | 26,773,210 |

26 CAPITAL (Continued)

- (a) On 22 March 2010, the board of the Company resolved to adopt a Restricted Share Award Scheme. The purpose of the Scheme is to recognise and motivate the contribution of certain employees and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Restricted Share Award Scheme was administered by an independent trustee appointed by the Group, the trustee shall purchase from the market such number of shares awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Restricted Share Award Scheme Rules. When the selected employee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that employee.

Movements in the number of awarded shares for the years ended 31 December 2017 and 2016 are as follows:

| | Shares (thousands) |
|---------------------|-----------------------|
| At 1 January 2017 | 21,568 |
| Granted | 10,890 |
| Vested | (14,651) |
| Lapsed | (934) |
| At 31 December 2017 | 16,873 |
| At 1 January 2016 | 30,241 |
| Granted | 13,395 |
| Vested | (19,885) |
| Lapsed | (2,183) |
| At 31 December 2016 | 21,568 |

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the year ended 31 December 2017 was HK\$3.75 per share (2016: HK\$3.65 per share).

The outstanding awarded shares as of 31 December 2017 were divided into several tranches on an equal basis as at their grant dates. The outstanding awarded shares will be exercised after a specified period ranging from one to three years from the grant date.

27 RETAINED EARNINGS

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At 1 January | 17,585,122 | 14,758,572 |
| Profit for the year | 5,115,405 | 3,812,230 |
| Dividends relating to 2015 | – | (319,091) |
| Dividends relating to 2016 (Note 43) | – | (511,068) |
| Dividends relating to 2017 (Note 43) | (1,855,449) | – |
| Distribution relating to capital securities | – | (111,078) |
| Transfer to statutory reserve fund | (99,849) | (44,443) |
| At 31 December | 20,745,229 | 17,585,122 |

28 RESERVES

| | Merger reserve RMB'000 | Statutory reserve RMB'000 | Translation reserve RMB'000 | Investment revaluation reserve RMB'000 | Employee share option RMB'000 | Restricted Share Award Scheme RMB'000 | Other reserve RMB'000 | Total RMB'000 |
|---|------------------------------|---------------------------------|-----------------------------------|---|--|---|-----------------------------|------------------|
| At 1 January 2017 | (763,427) | 1,254,033 | (159,174) | (111,311) | 168,507 | 46,330 | (794,649) | (359,691) |
| Fair value gains on available-for-sale financial assets | – | – | – | 219,549 | – | – | – | 219,549 |
| Share of other comprehensive income of investments accounted for using the equity method | – | – | – | 465,146 | – | – | – | 465,146 |
| Currency translation differences | – | – | 198,948 | – | – | – | – | 198,948 |
| Expense on share-based payment | – | – | – | – | 67,275 | 44,336 | (8,567) | 103,044 |
| Expiry of share option | – | – | – | – | (57,070) | – | 57,070 | – |
| Issue of shares pursuant to exercise of employee share options | – | – | – | – | (36,203) | – | – | (36,203) |
| Vesting of shares under Restricted Share Award Scheme | – | – | – | – | – | (48,327) | – | (48,327) |
| Transfer from retained earnings | – | 99,849 | – | – | – | – | – | 99,849 |
| Increase in non-controlling interests without change of control | – | – | – | – | – | – | 2,595 | 2,595 |
| Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests | – | – | – | – | – | – | 123,113 | 123,113 |
| At 31 December 2017 | (763,427) | 1,353,882 | 39,774 | 573,384 | 142,509 | 42,339 | (620,438) | 768,023 |

28 RESERVES (Continued)

| | Merger reserve RMB'000 | Statutory reserve RMB'000 | Translation reserve RMB'000 | Investment revaluation reserve RMB'000 | Employee share option RMB'000 | Restricted Share Award Scheme RMB'000 | Other reserve RMB'000 | Total RMB'000 |
|--|------------------------------|---------------------------------|-----------------------------------|---|--|---|-----------------------------|------------------|
| At 1 January 2016 | (763,427) | 1,209,590 | (48,713) | (46,922) | 73,293 | 66,060 | (900,826) | (410,945) |
| Fair value gains on available-for-sale financial assets | - | - | - | 282,660 | - | - | - | 282,660 |
| Share of other comprehensive income of investments accounted for using the equity method | - | - | - | (34,427) | - | - | - | (34,427) |
| 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) | - | - | - | (312,622) |
| Currency translation differences | - | - | (110,461) | - | - | - | - | (110,461) |
| Expense on share-based payment | - | - | - | - | 88,343 | 50,677 | - | 139,020 |
| Expiry of share option | - | - | - | - | 7,196 | - | (7,196) | - |
| Issue of shares pursuant to exercise of employee share options | - | - | - | - | (325) | - | - | (325) |
| Vesting of shares under Restricted Share Award Scheme | - | - | - | - | - | (70,407) | - | (70,407) |
| Transfer from retained earnings | - | 44,443 | - | - | - | - | - | 44,443 |
| Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests | - | - | - | - | - | - | 113,373 | 113,373 |
| At 31 December 2016 | (763,427) | 1,254,033 | (159,174) | (111,311) | 168,507 | 46,330 | (794,649) | (359,691) |

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

29 SHARE OPTIONS

The establishment of the Group's share options plan was approved on 3 September 2007 by the shareholders. The share option plan is designed to provide long-term incentives for senior managers and above to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Share options are granted to several directors and to selected employees, in which 40% of the options are exercisable after 1 year from the grant date; additional 30% of the options are exercisable after 2 years from the grant date, and remaining 30% of the options are exercisable after 3 years from the grant date. The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Average exercise price in HK dollar per share HKD | Shares (thousands) |
|----------------------------|---|--------------------|
| At 1 January 2017 | 3.83 | 283,686 |
| Granted during the year | 4.70 | 53,800 |
| Lapsed during the year | 3.67 | (43,366) |
| Exercised during the year | 3.91 | (50,729) |
| At 31 December 2017 | 4.04 | 243,391 |

Out of the 243,391,000 outstanding options (2016: 283,686,000), 191,191,000 (2016: 33,975,672) were exercisable as at 31 December 2017.

As a result of the options exercised during the year ended 31 December 2017, 50,729,000 ordinary shares (2016: 290,000 ordinary shares) were issued by the Company. The weighted average price of the shares at the time these options were exercised was HK\$5.21 per share (2016: HK\$4.09 per share).

Share options outstanding as at 31 December 2017 have the following expiry dates and exercise prices:

| Expiry date | Exercise price in HK dollar per share | Shares (thousands) |
|-------------|---------------------------------------|--------------------|
| 12-Jan-2017 | 3.57 | – |
| 27-Aug-2020 | 4.04 | 44,621 |
| 13-Apr-2021 | 3.80 | 146,570 |
| 24-Aug-2022 | 4.70 | 52,200 |
| | | 243,391 |

29 SHARE OPTIONS (Continued)

The directors of the Company have used the Binomial Model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the year ended 31 December 2017 was HK\$1.0576 per option (2016: HK\$0.9951 per option).

The model inputs for options granted during the year ended 31 December 2017 included:

- (a) exercise price: HK\$4.70 (2016: HK\$3.80)
- (b) grant date: 24 August 2017 (2016: 13 April 2016)
- (c) expiry date: 24 August 2022 (2016: 13 April 2021)
- (d) share price at grant date: HK\$4.70 (2016: HK\$3.71)
- (e) expected price volatility of the company's share: 37.97% (2016: 43.4%)
- (f) expected dividend yields: 4.65% (2016: 4.54%)
- (g) risk-free interest rate: 1.295% (2016: 0.994%)

30 CAPITAL SECURITIES

On 21 September 2017, Sino-Ocean Land Treasure III Limited ("Sino-Ocean Land III"), a wholly owned subsidiary, issued perpetual subordinated guaranteed capital securities ("capital securities"), which are callable, with initial aggregate principal amount of USD600,000,000.

The capital securities have no maturity date, and the payments of distribution of such capital securities can be deferred at the discretion of Sino-Ocean Land III. When Sino-Ocean Land III and the Company elects to declare dividends to their shareholders, Sino-Ocean Land III should make a distribution at an initial rate of 4.9% per annum as defined in the subscription agreement. Such capital securities are guaranteed by the Company.

31 CAPITAL INSTRUMENT

On 30 December 2016, Hangzhou Xinhe Hotel Property Limited ("Hangzhou Xinhe") and Hangzhou Yunhe Business District Development Limited ("Hangzhou Yunhe"), two wholly owned subsidiaries, together issued a capital instrument, which is callable, with an initial aggregate principal amount of RMB3,500,000,000.

The capital instrument has no maturity date, and the payments of distribution of such capital instrument can be deferred at the discretion of Hangzhou Xinhe and Hangzhou Yunhe. When Hangzhou Xinhe or Hangzhou Yunhe or Sino-Ocean Land Limited, another subsidiary of the Group, elects to declare dividends to their shareholders, Hangzhou Xinhe and Hangzhou Yunhe should make distribution to the holders of the capital instrument at the distribution rate ranging from 6% to 11%, as defined in the subscription agreement. Such capital instrument are secured by the real estate and investment property project owned by Hangzhou Yunhe and Hangzhou Xinhe.

32 BORROWINGS

| | As at 31 December | |
|---|-------------------|-------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Non-current | | |
| Bank borrowings (a) | 13,851,561 | 4,634,447 |
| Other borrowings (b) | 37,181,456 | 32,980,448 |
| Total non-current borrowings | 51,033,017 | 37,614,895 |
| Current | | |
| Current portion of long-term bank borrowings (a) | 1,677,249 | 4,478,229 |
| Current portion of long-term other borrowings (b) | 7,437,298 | 1,265,961 |
| Short-term bank borrowings (a) | 744,590 | 450,734 |
| Short-term other borrowings (b) | 140,000 | – |
| Total current borrowings | 9,999,137 | 6,194,924 |
| Total borrowings | 61,032,154 | 43,809,819 |

- (a) As at 31 December 2017, bank borrowings amounting to RMB7,085,353,000 were secured by investment properties, properties under development, completed properties held for sale and equity interest in a certain subsidiary of the Group.

As at 31 December 2016, bank borrowings amounting to RMB955,000,000 were secured by investment properties of the Group.

(b) Other borrowings

| | As at 31 December | |
|---------------------------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Bond issuance (i) | 18,928,406 | 13,940,327 |
| Guaranteed notes (ii) | 15,485,288 | 16,390,061 |
| Borrowings from trust companies (iii) | 10,345,060 | 3,850,020 |
| Borrowings from a joint venture (iv) | – | 66,001 |
| | 44,758,754 | 34,246,409 |
| Less: non-current portion | (37,181,456) | (32,980,448) |
| Current portion | 7,577,298 | 1,265,961 |

32 BORROWINGS (Continued)

(b) Other borrowings (Continued)

- (i) In 2017, Sino-Ocean Group Holding Limited, a wholly owned subsidiary of the Group, issued the first tranche Medium-term Notes in an aggregate amount of RMB4,000,000,000 in two series: (i) RMB2,000,000,000 with coupon rate of 4.77% per year of a term of three years; (ii) RMB2,000,000,000 with coupon rate of 5.05% per year of a term of five years.

In 2017, Sino-Ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB1,000,000,000 with maturity period of 5 years and annual interest rate of 5.29%.

In 2016, Sino-Ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB4,000,000,000 with maturity period of 5 years and annual interest rate of 3.50%.

In 2015, Sino-Ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB10,000,000,000. The first phase of the bonds is issued in August with an aggregate principal amount of RMB5,000,000,000 in three series: (i) RMB2,000,000,000 with maturity period of 5 years and annual interest rate of 3.78%; (ii) RMB1,500,000,000 with maturity period of 7 years and annual interest rate of 4.15%; (iii) RMB1,500,000,000 with maturity period of 10 years and annual interest rate of 5.00%. The second phase of the bonds is issued in October with an aggregate principal amount of RMB5,000,000,000 in two series: (i) RMB2,000,000,000 with maturity period of 6 years and annual interest rate of 3.85%; (ii) RMB3,000,000,000 with maturity period of 10 years and annual interest rate of 4.76%. The bonds are unsecured.

- (ii) In January 2015, Sino-Ocean Land Treasure Finance II Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD500,000,000 at a rate of 5.95% per annum due in 2027 (the "2027 Notes") and another note with principal amount of USD700,000,000 at a rate of 4.45% per annum due in 2020 (the "2020 Notes"). The notes are unsecured and guaranteed by the Company.

In July 2014, Sino-Ocean Land Treasure Finance I Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD500,000,000 at a rate of 4.625% per annum due in 2019 (the "2019 Notes") and another note with principal amount of USD700,000,000 at a rate of 6.00% per annum due in 2024 (the "2024 Notes").

- (iii) Such loans bear interest rate from 5.70% to 13.42% per annum, and RMB6,755,000,000 of the loan portion (2016: RMB2,650,060,000) repayable after one year are included in non-current portion.

As at 31 December 2017, loans amounting to RMB3,575,060,000 were secured by investment properties, properties under development and equity interest in a certain subsidiary of the Group.

As at 31 December 2016, loans amounting to RMB3,850,020,000 were secured by investment properties of the Group.

- (iv) The balances represent borrowings from a joint venture and has been repaid in 2017.

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

| | As at 31 December | |
|-------------------------|---|---|
| | 2017 Bank and other borrowings RMB'000 | 2016 Bank and other borrowings RMB'000 |
| Total borrowings | | |
| — Within 1 year | 9,999,137 | 6,194,924 |
| — Between 1 and 2 years | 13,816,677 | 4,005,057 |
| — Between 2 and 5 years | 23,640,727 | 19,065,412 |
| — Over 5 years | 13,575,613 | 14,544,426 |
| | 61,032,154 | 43,809,819 |

32 BORROWINGS (Continued)

- (a) The Group's borrowings denominated in RMB, HKD and USD respectively are set out as follows:

| | As at 31 December | |
|-----------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Denominated in: | | |
| — RMB | 37,018,111 | 18,840,526 |
| — HKD | 4,689,083 | 5,178,012 |
| — USD | 19,324,960 | 19,791,281 |
| | 61,032,154 | 43,809,819 |

- (b) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

| | As at 31 December | |
|------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Bank borrowings | 4.56% | 4.75% |
| Other borrowings | 5.40% | 5.60% |

- (c) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

| | As at 31 December | |
|-------------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Within 6 months | 12,648,041 | 9,112,247 |
| Between 6 and 12 months | 6,862,660 | 3,855,220 |
| Between 1 and 5 years | 41,521,453 | 30,842,352 |
| | 61,032,154 | 43,809,819 |

- (d) The fair value of non-current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.56% (2016: 4.75%) and are within Level 2 of the fair value hierarchy.

33 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

| | As at 31 December | |
|---|--------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Deferred income tax assets: | | |
| — to be recovered after more than 12 months | 703,959 | 480,077 |
| — to be recovered within 12 months | 275,136 | 630,376 |
| | 979,095 | 1,110,453 |
| Deferred income tax liabilities: | | |
| — to be recovered after more than 12 months | (2,853,395) | (2,610,210) |
| — to be recovered within 12 months | (396,354) | (149,714) |
| | (3,249,749) | (2,759,924) |
| Deferred income tax liabilities, net | (2,270,654) | (1,649,471) |

The gross movement on the deferred income tax account is as follows:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| At beginning of the year | 1,649,471 | 1,133,786 |
| Recognized in the income statement (Note 41) | (28,036) | 181,415 |
| Charged/(Credited) to other comprehensive income | 43,383 | (6,207) |
| Acquisition of subsidiaries | 605,836 | 291,080 |
| Disposal of a subsidiary (Note 47(a)) | — | 49,397 |
| At end of the year | 2,270,654 | 1,649,471 |

33 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

| | Recognition of expenses RMB'000 | Recognition of financial guarantee liabilities RMB'000 | Unrealized gains RMB'000 | Tax losses RMB'000 | Others RMB'000 | Total RMB'000 |
|--|---------------------------------------|--|--------------------------------|-----------------------|-------------------|------------------|
| At 1 January 2017 | 639,310 | – | 177,037 | 287,899 | 6,207 | 1,110,453 |
| Credited/(charged) to income statement | 151,380 | – | (112,977) | (52,261) | – | (13,858) |
| Acquisition of subsidiaries | – | – | – | 40,521 | – | 40,521 |
| Credited to other comprehensive income | – | – | – | – | (6,207) | (6,207) |
| At 31 December 2017 | 790,690 | – | 64,060 | 276,159 | – | 1,130,909 |
| At 1 January 2016 | 523,006 | 2,608 | 94,558 | 317,877 | – | 938,049 |
| Credited/(charged) to income statement | 154,741 | (2,608) | 82,479 | (24,080) | – | 210,532 |
| Credited to other comprehensive income | – | – | – | – | 6,207 | 6,207 |
| Acquisition of a subsidiary | 5,062 | – | – | – | – | 5,062 |
| Disposal of a subsidiary | (43,499) | – | – | (5,898) | – | (49,397) |
| At 31 December 2016 | 639,310 | – | 177,037 | 287,899 | 6,207 | 1,110,453 |

33 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

| | Depreciation difference RMB'000 | Investment properties revaluation RMB'000 | Property revaluation RMB'000 | Withholding taxes RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---------------------------------------|--|------------------------------------|---------------------------------|-------------------|--------------------|
| At 1 January 2017 | (55,037) | (2,183,815) | (458,918) | (44,969) | (17,185) | (2,759,924) |
| (Charged)/credited to income statement | – | (156,121) | 394,213 | (192,918) | (3,280) | 41,894 |
| Acquisition of subsidiaries | – | – | (646,357) | – | – | (646,357) |
| Charged to other comprehensive income | – | – | – | – | (37,176) | (37,176) |
| At 31 December 2017 | (55,037) | (2,339,936) | (711,062) | (237,887) | (57,641) | (3,401,563) |
| At 1 January 2016 | (55,037) | (1,723,709) | (280,289) | – | (12,800) | (2,071,835) |
| (Charged)/credited to income statement | – | (460,106) | 117,513 | (44,969) | (4,385) | (391,947) |
| Acquisition of subsidiaries | – | – | (296,142) | – | – | (296,142) |
| At 31 December 2016 | (55,037) | (2,183,815) | (458,918) | (44,969) | (17,185) | (2,759,924) |

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred income tax assets of RMB407,392,000 (2016: RMB59,225,000) in respect of losses amounting to RMB1,629,568,000 (2016: RMB236,900,000) that can be carried forward against future taxable income.

At 31 December 2017, the Group recognized deferred tax liabilities of approximately RMB237,887,000 (2016: RMB44,969,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining available unremitted earnings of the Group's subsidiaries will be distributed in the foreseeable future according to the distribution and reinvestment plans of the Group. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately RMB3,190,893,000 at 31 December 2017 (2016: RMB4,860,409,000).

34 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2017 RMB'000 | 2016 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 RMB'000 | 2016 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 |

35 ADVANCE RECEIPTS FROM CUSTOMERS

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Advances receipts directly coming from customers (a) | 23,650,407 | 14,659,155 |
| Others (b) | 551,501 | 1,426,310 |
| | 24,201,908 | 16,085,465 |

- (a) These mainly represent amounts received from customers for sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at year-end.
- (b) This represented cash received from a trust set up by a financial institution in the PRC, under which the Group has assigned to the trust the right of receipt of the sale proceeds of certain properties to be delivered by the Group. Under the assigned arrangement, the Group has no contractual obligation to repay cash or other financial assets to the trust.

36 INTEREST AND OTHER INCOME

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Interest income: | | |
| — Interest income from bank deposits | 209,936 | 183,922 |
| — Interest income from entrusted loans | 825,095 | 1,211,860 |
| Dividend income from available-for-sale financial assets | 25,105 | 78,742 |
| Others | 56,286 | 33,702 |
| | 1,116,422 | 1,508,226 |

37 OTHER GAINS/(LOSSES) — NET

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Gains on partial disposal of interests in a subsidiary | – | 76,858 |
| (Losses)/Gains on disposal of entire interests in a subsidiary (Note 47(a)) | (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) |

38 EXPENSES BY NATURE

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

| | Year ended 31 December | |
|--|------------------------|-------------------|
| | 2017 RMB'000 | 2016 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 (Note 9) | 190,108 | 147,068 |
| Employee benefit expense (Note 39) | 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 (Note 7) | 44,902 | 45,034 |
| Amortization of land use rights (Note 8) | 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 |

39 EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of the Group, including its directors' emoluments is as follows:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Salaries, wages and bonuses | 1,712,535 | 1,199,432 |
| Retirement benefits contribution | 126,724 | 94,838 |
| Share options granted to directors and employees (Note 29) | 66,784 | 88,343 |
| Restricted Share Award Scheme (Note 29) | 35,769 | 50,677 |
| Other allowances and benefits | 294,085 | 253,429 |
| | 2,235,897 | 1,686,719 |
| Less: capitalized in properties under development | (868,054) | (535,811) |
| | 1,367,843 | 1,150,908 |

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2017 and 2016.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD30,000).

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2016: two) directors whose emoluments are reflected in the analysis shown in Note 52. The emoluments payable to the remaining one (2016: three) highest paid individuals during the year are as follows:

| | Year ended 31 December | |
|---------------------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Basic salaries and allowance | 2,600 | 6,900 |
| Retirement scheme contributions | 114 | 324 |
| Share-based payments | 4,558 | 15,706 |
| | 7,272 | 22,930 |

39 EMPLOYEE BENEFITS EXPENSE (Continued)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

| | Year ended 31 December | |
|---|------------------------|------|
| | 2017 | 2016 |
| RMB7,105,000(equivalent to HK\$8,500,000) to RMB7,523,000(equivalent to HK\$9,000,000) | 1 | 1 |
| RMB7,523,000(equivalent to HK\$9,000,000) to RMB7,941,000(equivalent to HK\$9,500,000) | – | 2 |
| | 1 | 3 |

- (b) During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

40 FINANCE COSTS

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 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 |

41 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 RMB'000 | 2016 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 (Note 33) | (28,036) | 181,415 |
| | 5,163,743 | 4,062,147 |

41 INCOME TAX EXPENSE (Continued)

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 RMB'000 | 2016 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 |

42 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 (Note 26).

| | 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 |

42 EARNINGS PER SHARE (Continued)

(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 |

43 DIVIDENDS

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

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

44 CASH FLOW INFORMATION

(a) Cash generated from operations

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Profit for the year | 6,258,667 | 4,445,560 |
| Adjustments for: | | |
| — Income tax expense (Note 41) | 5,163,743 | 4,062,147 |
| — Depreciation (Note 7) | 44,902 | 45,034 |
| — Amortization of land use rights (Note 8) | 2,601 | 259 |
| — Valuation gains on investment properties (Note 9) | (440,199) | (1,762,637) |
| — Share of results of joint ventures (Note 12) | (759,124) | 24,966 |
| — Share of results of associates (Note 13) | (44,897) | 54,837 |
| — (Gains)/losses on disposal of joint ventures (Note 37) | (20,941) | 6,399 |
| — Gains on disposal of an associate (Note 37) | (72,785) | (21,781) |
| — Gains on deemed disposal of joint ventures and an associate (Note 37) | (753,361) | (234,076) |
| — Dividend income from available-for-sale financial assets (Note 36) | (25,105) | (78,742) |
| — Interest income | (878,352) | (1,223,830) |
| — Gains on partial disposal of interests in a subsidiary (Note 37) | — | (76,858) |
| — Losses/(gains) on disposal of entire interests in a subsidiary (Note 37) | 24,694 | (63,466) |
| — Gains on disposal of available-for-sale financial assets (Note 37) | (124,635) | — |
| — Losses/(gains) on sale of property, plant and equipment (Note 37) | 619 | (2,514) |
| — Fair value losses/(gains) on financial assets at fair value through profit or loss (Note 37) | 336,221 | (135,561) |
| — Impairment charges (Note 38) | 96,628 | 90,113 |
| — Derecognition of goodwill (Note 10) | 35,809 | 136,955 |
| — Finance costs (Note 40) | 1,173,885 | 818,247 |
| — Gains on acquisition of a subsidiary (Note 37) | (62,947) | (284) |
| — Loss on disposal of an investment property (Note 37) | 2,870 | — |
| — Loss on deemed disposal of available for sale financial assets (Note 37) | 15,876 | — |
| — Exchange gains | 218,176 | (186,590) |
| — Share-based payments (Note 28) | 103,044 | 139,020 |
| | 10,295,389 | 6,037,198 |

44 CASH FLOW INFORMATION (Continued)

(a) Cash generated from operations (Continued)

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation): | | |
| — Completed properties held for sale | 1,992,286 | (3,765,796) |
| — Inventories, at cost | (54,125) | (26,032) |
| — Amounts due from customers for contract work | 25,047 | 377,220 |
| — Trade and other receivables and prepayments | (6,824,137) | 3,248,928 |
| — Land development cost recoverable | 1,172,515 | 190,466 |
| — Prepayments for land use rights | (1,524,638) | 500 |
| — Trade and other payables | (5,185,273) | 4,729,370 |
| — Financial assets at fair value through profit or loss | 4,351 | (16,963) |
| — Advance receipts from customers | (9,396,602) | (3,003,304) |
| — Properties under development | 15,100,405 | 14,312,754 |
| — Restricted bank deposits | 490,919 | 168,023 |
| Cash generated from operations | 6,096,137 | 22,252,364 |

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Net book amount (Note 7) | 34,056 | 12,860 |
| Gains on disposal of property, plant and equipment (Note 37) | (619) | 2,514 |
| Proceeds from disposal of property, plant and equipment | 33,437 | 15,374 |

44 CASH FLOW INFORMATION (Continued)

(c) The reconciliation of liabilities from financing activities

This section sets out an analysis of liabilities from financing activities and the movements in liabilities from financing activities for each of the periods presented.

| | 2017 RMB'000 | 2016 RMB'000 |
|--|-----------------|-----------------|
| Borrowings — repayable within one year (Note 32) | (9,999,137) | (6,194,924) |
| Borrowings — repayable after one year (Note 32) | (51,033,017) | (37,614,895) |
| Net debt | (61,032,154) | (43,809,819) |
| Gross debt — fixed interest rates | (41,961,453) | (30,842,352) |
| Gross debt — variable interest rates | (19,070,701) | (12,967,467) |
| Net debt | (61,032,154) | (43,809,819) |

| | Liabilities from financing activities | | |
|--------------------------------------|--|---|------------------|
| | Borrowing due within 1 year RMB'000 | Borrowing due after 1 year RMB'000 | Total RMB'000 |
| Net debt at 31 December 2016 | (6,194,924) | (37,614,895) | (43,809,819) |
| Cash flows | 2,536,820 | (7,129,035) | (4,592,215) |
| Increase due to business combination | (2,817,440) | (11,124,500) | (13,941,940) |
| Foreign exchange adjustments | 85,715 | 1,282,680 | 1,368,395 |
| Other non-cash movements | (3,609,308) | 3,552,733 | (56,575) |
| Net debt at 31 December 2017 | (9,999,137) | (51,033,017) | (61,032,154) |

Other non-cash movements is mainly the reclassification of long-term borrowing and borrowing within 1 year and the amortization of issuing cost of bond and guaranteed notes.

45 FINANCIAL GUARANTEES

- (a) The Group had the following financial guarantees as 31 December 2017 and 2016:

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Guarantees in respect of mortgage facilities for certain purchasers | 10,551,985 | 8,055,938 |

As at 31 December 2017 and 2016, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

- (b) As at 31 December 2017, the Group provided joint-liability guarantees in respect of borrowings granted by certain financial institutions to joint ventures and associates amounting to RMB2,508,293,000 (2016: RMB3,050,560,000). Properties under development owned by these joint ventures and associates are the primary collateral of such borrowings.

46 COMMITMENTS

- (a) **Capital commitments**

Capital commitments in respect of development costs attributable to properties under development and land use rights at the balance sheet date but not yet incurred are as follows:

| | As at 31 December | |
|---------------------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Properties under development | 5,468,763 | 3,306,901 |
| Commitment of Investment | 415,385 | 25,600 |
| Contracted but not provided for | 5,884,148 | 3,332,501 |

46 COMMITMENTS (Continued)

(b) Operating lease rental receivables

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

| | As at 31 December | |
|----------------------|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Within 1 year | 919,826 | 811,175 |
| Between 1 to 5 years | 1,397,777 | 1,872,122 |
| Over 5 years | 779,966 | 698,855 |
| | 3,097,569 | 3,382,152 |

47 DISPOSAL OF A SUBSIDIARY

(a) Disposal of entire interests in a subsidiary

On December 2017, the Group entered into an agreement with Kunshan Yinqiao Real Estate Development Co., to dispose of total 100% equity interests in Nanjing Xunyuanyuan Real Estate Co. Ltd ("Nanjing Xunyuanyuan"), a subsidiary of the Group, at a consideration of RMB886,000,000. Upon completion of the disposal, the Group lost control over Nanjing Xunyuanyuan as it has no power to govern the financial and operating policies of Nanjing Xunyuanyuan.

The effect of disposal of a subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

| | 2017 RMB'000 |
|--|------------------|
| Proceeds received in cash on disposal of a subsidiary | 886,000 |
| Carrying value of the Nanjing Xunyuanyuan's net assets disposed — shown as below | (910,694) |
| Losses on disposal of entire interests in Nanjing Xunyuanyuan that resulted in loss of control | (24,694) |

47 DISPOSAL OF A SUBSIDIARY (Continued)

(a) Disposal of entire interests in a subsidiary (Continued)

The assets and liabilities disposed of are as follows:

| | 2017 RMB'000 |
|--|-----------------|
| Property, plant and equipment | 34 |
| Properties held for sale | 411,258 |
| Properties under development | 60,196 |
| Trade and other receivables and prepayments | 893,821 |
| Cash and cash equivalents | 165,895 |
| Other payables | (477,627) |
| Income tax payables | (142,883) |
| Net assets disposed | 910,694 |
| Outflow of cash to dispose a subsidiary, net of cash disposed | |
| Proceeds received in cash | 886,000 |
| Cash and cash equivalents in a subsidiary disposed of | (165,895) |
| Net cash inflow on disposal | 720,105 |

48 BUSINESS COMBINATIONS

- (a) On 31 December 2017, the Group acquired 100% of the equity interests of Bright Shine Holding Limited and its subsidiaries (together, "Bright Shine"), at a consideration of RMB130,000,000. As a result of the acquisition, Bright Shine became a wholly owned subsidiary.

The following table summarises the consideration paid for Bright Shine, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2017 RMB'000 |
|--|-----------------|
| Identifiable net assets acquired | 137,468 |
| Consideration: | |
| — Consideration transfer | (130,000) |
| — Book value of equity interest in a subsidiary of Bright Shine held before business combination | (20,000) |
| — Deemed disposal loss of equity interest | 15,876 |
| Excess of consideration paid recognized in profit or loss as other gains | 3,344 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 45,368 |
| Property, plant and equipment | 317 |
| Prepaid income tax assets | 89,588 |
| Properties under development | 502,397 |
| Properties held for sale | 449,969 |
| Trade and other receivables and prepayments | 815,366 |
| Trade and other payables | (1,700,814) |
| Advance receipts from customers | (27,439) |
| Income tax payables | (2,077) |
| Deferred tax liabilities | (35,207) |
| Total identifiable net assets | 137,468 |

Bright Shine has been included in the consolidated income statement since 31 December 2017, therefore Bright Shine has not contributed any income or profit during this period.

Had Bright Shine been consolidated from 1 January 2017, the consolidated income statement would show pro-forma revenue RMB46,252,278,000 and profit of RMB6,299,863,000.

48 BUSINESS COMBINATIONS (Continued)

- (b) On 31 December 2017, the Group acquired 55% of the equity interests of Sino-Ocean Zhenjiang Real Estate Co., Ltd. ("Sino-Ocean Zhenjiang"), a real-estate developer in Zhenjiang, at a consideration of RMB55,000,000. As a result of the acquisition, Sino-Ocean Zhenjiang became a subsidiary of the Group.

The following table summarises the consideration paid for Sino-Ocean Zhenjiang, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2017 RMB'000 |
|--|-----------------|
| Identifiable net assets acquired | 48,250 |
| Consideration: | |
| — Consideration transfer | (55,000) |
| Goodwill | (6,750) |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 19,095 |
| Property, plant and equipment | 221 |
| Prepaid income tax assets | 22,612 |
| Properties under development | 834,186 |
| Properties held for sale | 193,139 |
| Trade and other receivables and prepayments | 17,572 |
| Trade and other payables | (279,790) |
| Borrowings | (612,270) |
| Advance receipts from customers | (29,428) |
| Income tax payables | (192) |
| Non-controlling interest | (39,478) |
| Deferred tax liabilities | (77,417) |
| Total identifiable net assets | 48,250 |

Sino-Ocean Zhenjiang has been included in the consolidated income statement since 31 December 2017, therefore Sino-Ocean Zhenjiang has not contributed any income or profit during this period.

Had Sino-Ocean Zhenjiang been consolidated from 1 January 2017, the consolidated income statement would show pro-forma revenue RMB45,883,344,000 and profit of RMB6,180,303,000.

48 BUSINESS COMBINATIONS (Continued)

- (c) On 30 November 2017, the Group acquired 100% of the equity interests of Qinhuangdao Ocean Real Estate Co., Ltd. ("Qinhuangdao Ocean"), a real-estate developer in Qinhuangdao, at a consideration of RMB100,000,000. As a result of the acquisition, Qinhuangdao Ocean became a wholly owned subsidiary of the Group.

The following table summarises the consideration paid for Qinhuangdao Ocean, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2017 RMB'000 |
|--|-----------------|
| Identifiable net assets acquired | 100,831 |
| Consideration: | |
| — Consideration transfer | (100,000) |
| Excess of consideration paid recognized in profit or loss as other gains | 831 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 383,659 |
| Property, plant and equipment | 253 |
| Prepaid tax assets | 120,337 |
| Properties under development | 2,123,989 |
| Properties held for sale | 308,809 |
| Trade and other receivables and prepayments | 129,807 |
| Trade and other payables | (1,704,166) |
| Borrowings | (831,520) |
| Advance receipts from customers | (430,245) |
| Income tax payables | (92) |
| Total identifiable net assets | 100,831 |

The revenue included in the consolidated income statement since 30 November 2017 contributed by Qinhuangdao Ocean was RMB10,438,000. Qinhuangdao Ocean also contributed profit of RMB41,000 over the same period.

Had Qinhuangdao Ocean been consolidated from 1 January 2017, the consolidated income statement would show pro-forma revenue of RMB46,276,123,000 and profit of RMB5,895,192,000.

48 BUSINESS COMBINATIONS (Continued)

- (d) On 31 December 2017, the Group acquired 85% of the equity interests of Shenyang Yinji Xinshijie Real Estate Co., Ltd. ("Shenyang Yinji"), a real-estate developer in Shenyang, at a consideration of RMB517,500,000. As a result of the acquisition, the equity interests of Shenyang Yinji held by the Group are from 15% to 100%. It became a wholly owned subsidiary from a joint venture of the Group.

The following table summarises the consideration paid for Shenyang Yinji, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2017 RMB'000 |
|--|-----------------|
| Identifiable net assets acquired | 635,321 |
| Consideration: | |
| — Consideration transfer | (517,500) |
| — Book value of equity interest in Shenyang Yinji held before business combination | (84,961) |
| — Deemed disposal gains of equity interest | (10,337) |
| Excess of consideration paid recognized in profit or loss as other gains | 22,523 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 327,092 |
| Property, plant and equipment | 234 |
| Prepaid income tax assets | 151,030 |
| Properties under development | 1,925,616 |
| Trade and other receivables and prepayments | 1,725,154 |
| Trade and other payables | (132,401) |
| Advance receipts from customers | (3,227,724) |
| Income tax payables | (39,556) |
| Deferred tax liability | (94,124) |
| Total identifiable net assets | 635,321 |

Shenyang Yinji has been included in the consolidated income statement since 31 December 2017, therefore Shenyang Yinji has not contributed any income or profit during this period.

Had Shenyang Yinji been consolidated from 1 January 2017, the consolidated income statement would show pro-forma revenue of RMB45,837,469,000 and profit of RMB6,320,835,000.

48 BUSINESS COMBINATIONS (Continued)

- (e) On 31 July 2017, Tianjin Binhai Real Estate Co. Ltd. ("Tianjin Binhai"), a real-estate developer in Tianjin, amended the articles of the association of Tianjin Binhai. As a result of the change, the Group gained the control of Tianjin Binhai, which became a subsidiary from a joint venture of the Group. The equity interests held by the Group are 60%.

The following table summarises the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2017 RMB'000 |
|--|-----------------|
| Identifiable net assets acquired | 16,780 |
| Book value of equity interest in Tianjin Binhai held before business combination | – |
| Deemed disposal gains of equity interest | 16,780 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 184,847 |
| Property, plant and equipment | 22 |
| Prepaid income tax assets | 152,529 |
| Properties under development | 1,264,481 |
| Trade and other receivables and prepayments | 316,504 |
| Trade and other payables | (171,492) |
| Advance receipts from customers | (1,705,882) |
| Income tax payables | (67) |
| Deferred tax liabilities | (12,975) |
| Non-controlling interest | (11,187) |
| Total identifiable net assets | 16,780 |

The revenue included in the consolidated income statement since 31 July 2017 contributed by Tianjin Binhai was RMB1,566,507,000. Tianjin Binhai also contributed profit of RMB217,178,000 over the same period.

Had Tianjin Binhai been consolidated from 1 January 2017, the consolidated income statement would show pro-forma revenue of RMB45,837,469,000 and profit of RMB6,318,382,000.

48 BUSINESS COMBINATIONS (Continued)

- (f) On 31 January 2017, Beijing Yuanchuang Real Estate Co. Ltd. ("Beijing Yuanchuang"), a real-estate developer in Beijing, amended the articles of the association of Beijing Yuanchuang. As a result of the change, the Group gained the control of Beijing Yuanchuang, which became a subsidiary from a joint venture of the Group. The equity interests held by the Group are 75%.

The following table summarises the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2017 RMB'000 |
|--|-----------------|
| Identifiable net assets acquired | 193,416 |
| Book value of equity interest in Beijing Yuanchuang held before business combination | – |
| Deemed disposal gains of equity interest | 193,416 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 432,889 |
| Property, plant and equipment | 113 |
| Properties under development | 4,030,621 |
| Properties held for sale | 1,366,250 |
| Trade and other receivables and prepayments | 746,785 |
| Deferred tax asset | 11,902 |
| Trade and other payables | (958,144) |
| Borrowings | (2,787,440) |
| Advance receipts from customers | (2,575,616) |
| Deferred tax liabilities | (9,472) |
| Non-controlling Interest | (64,472) |
| Total identifiable net assets | 193,416 |

The revenue included in the consolidated income statement since 31 January 2017 contributed by Beijing Yuanchuang was RMB1,962,946,000. Beijing Yuanchuang also contributed profit of RMB101,770,000 over the same period.

Had Beijing Yuanchuang been consolidated from 1 January 2017, the condensed consolidated income statement would show pro-forma revenue of RMB45,814,905,000 and profit of RMB6,321,790,000.

48 BUSINESS COMBINATIONS (Continued)

- (g) On 31 March 2017, the Group acquired 70% of the equity interests of Guangzhou Yuanxiang Real Estate Co., Ltd. ("Guangzhou Yuanxiang"), a real estate developer in Guangzhou, at a consideration of RMB845,000,000. As a result of the acquisition, the equity interests of Guangzhou Yuanxiang held by the Group are from 30% to 100%. It became a wholly owned subsidiary from the joint venture of the Group.

The following table summarises the consideration paid for Guangzhou Yuanxiang, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2017 RMB'000 |
|---|-----------------|
| Identifiable net assets acquired | 1,779,760 |
| Consideration: | |
| — Consideration transferred | (845,000) |
| — Book value of equity interest in Guangzhou Yuanxiang held before business combination | (483,832) |
| — Deemed disposal gains of equity interest | (445,547) |
| Excess of consideration paid recognized in profit or loss as other gains | 5,381 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 342,934 |
| Property, plant and equipment | 266 |
| Deferred tax assets | 9,977 |
| Properties under development | 5,490,283 |
| Trade and other receivables and prepayments | 1,256,191 |
| Trade and other payables | (1,037,436) |
| Borrowings | (1,600,000) |
| Advance receipts from customers | (2,330,444) |
| Income tax payables | (19,112) |
| Deferred tax liabilities | (332,899) |
| Total identifiable net assets | 1,779,760 |

The revenue included in the consolidated income statement since 31 March 2017 contributed by Guangzhou Yuanxiang was nil. Guangzhou Yuanxiang also contributed profit of RMB7,265,000 over the same period.

Had Guangzhou Yuanxiang been consolidated from 1 January 2017, the condensed consolidated income statement would show pro-forma revenue of RMB45,795,115,000 and profit of RMB6,326,620,000.

48 BUSINESS COMBINATIONS (Continued)

- (h) On 30 April 2017, the Group acquired 23% of the equity interests of Hubei Fuxinghuiyu Changqing Real Estate Co. Ltd. ("Hubei Fuxing"), a real-estate developer in Wuhan, at a consideration of RMB24,468,000. As a result of the acquisition, the equity interests of Hubei Fuxing held by the Group are from 38% to 61%. It became a subsidiary from an associate of the Group.

The following table summarises the consideration paid for Hubei Fuxing, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2017 RMB'000 |
|--|-----------------|
| Identifiable net assets acquired | 74,575 |
| Consideration: | |
| — Consideration transferred | (24,468) |
| — Book value of equity interest in Hubei Fuxing held before business combination | — |
| — Deemed disposal gains of equity interest | (46,456) |
| Excess of consideration paid recognized in profit or loss as other gains | 3,651 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 727,197 |
| Property, plant and equipment | 137 |
| Properties under development | 5,331,902 |
| Trade and other receivables and prepayments | 848,523 |
| Trade and other payables | (1,486,439) |
| Borrowings | (1,749,500) |
| Advance receipts from customers | (3,409,341) |
| Income tax payables | (82,365) |
| Deferred tax liabilities | (57,860) |
| Non-controlling Interest | (47,679) |
| Total identifiable net assets | 74,575 |

The revenue included in the consolidated income statement since 30 April 2017 contributed by Hubei Fuxing was RMB988,378,000. Hubei Fuxing also contributed profit of RMB37,443,000 over the same period.

Had Hubei Fuxing been consolidated from 1 January 2017, the condensed consolidated income statement would show pro-forma revenue of RMB45,764,086,000 and profit of RMB6,314,486,000.

49 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- (a) On 28 February 2017, the Group acquired an additional 45% of the issued shares of Wuhan Hongfu Real Estate Co. Limited for a purchase consideration of RMB nil. The carrying amount of the non-controlling interests in the Group on the date of acquisition was RMB126,753,000. The Group recognised a decrease in non-controlling interests of RMB126,753,000 and a increase in equity attributable to owners of the company of RMB126,753,000.

The effect of changes in the ownership interest of the Group on the equity attributable to owners of the company during the year is summarised as follows:

| | 2017 RMB'000 |
|--|-----------------|
| Carrying amount of non-controlling interests acquired | 126,670 |
| Consideration paid to non-controlling interests | – |
| Gains on acquisition of additional interests within equity | 126,670 |

- (b) On 31 January 2017, the Group acquired an additional 29% of the issued shares of Shenzhen Jinlun Shangwan Real Estate Co. Limited for a purchase consideration of RMB20,300,000. The carrying amount of the non-controlling interests in the Group on the date of acquisition was RMB16,743,000. The Group recognised a decrease in non-controlling interests of RMB16,743,000 and a decrease in equity attributable to owners of the company of RMB3,557,000.

The effect of changes in the ownership interest of the Group on the equity attributable to owners of the company during the year is summarised as follows:

| | 2017 RMB'000 |
|---|-----------------|
| Carrying amount of non-controlling interests acquired | 16,743 |
| Consideration paid to non-controlling interests | (20,300) |
| Excess of consideration paid recognized within equity | (3,557) |

50 RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere, the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2017 and 2016:

(a) Provision of services to:

| | Year ended 31 December | |
|------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| — A shareholder | 7,099 | 87,515 |
| — Joint ventures | 190,090 | 358,927 |
| — Associates | 290,512 | 300,351 |
| | 487,701 | 746,793 |

Provision of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreement.

(b) Purchase of services from:

| | Year ended 31 December | |
|-----------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| A joint venture | — | 379,453 |

(c) Purchase of investment properties from:

| | Year ended 31 December | |
|-----------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| A joint venture | — | 124,508 |

50 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Salaries and other short-term employee benefits | 41,660 | 35,771 |
| Post-employment benefits | 14,877 | 7,432 |
| Other long-term welfare | 3,114 | 1,106 |
| Share-based payments | 51,643 | 61,504 |
| | 111,294 | 105,813 |

(e) Year-end balances arising from sales and purchases of properties and services

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Receivables from related parties: | | |
| — A shareholder | 29,801 | 30,212 |
| — Joint ventures | 296,035 | 179,385 |
| — Associates | 47,883 | 258,759 |
| | 373,719 | 468,356 |
| Advance from related parties: | | |
| — A shareholder | — | — |
| — Joint ventures | 157,670 | 121,050 |
| — Associates | — | 39,441 |
| | 157,670 | 160,491 |
| Trade payables due to related parties: | | |
| — A joint venture | — | — |
| — An associate | 196 | 360 |
| | 196 | 360 |

50 RELATED PARTY TRANSACTIONS (Continued)

(f) Interest income

| | Year ended 31 December | |
|--------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Interest received: | | |
| — Joint ventures | 184,382 | 593,622 |
| — Associates | 84,901 | 64,340 |
| | 269,283 | 657,962 |

(g) Loans to related parties

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Joint ventures: | | |
| At 1 January | 6,101,800 | 9,583,233 |
| Loans advanced during year | 8,503,832 | 4,561,458 |
| Loans repayments received | (7,381,176) | (6,154,571) |
| Increase due to partial disposal of a subsidiary | — | 450,000 |
| Decrease due to disposal of joint ventures | — | (2,338,320) |
| Decrease due to deemed disposal of joint ventures | (2,170,601) | — |
| interest charged | (184,382) | (593,622) |
| Interest received | 184,382 | 593,622 |
| At 31 December (Note 21(c)) | 5,053,855 | 6,101,800 |
| Associates: | | |
| At 1 January | 617,106 | 1,969,083 |
| Loans advanced during year | 772,485 | 125,413 |
| Loans repayments received | (809,285) | (1,477,390) |
| Interest charged | (84,901) | (64,340) |
| Interest received | 84,901 | 64,340 |
| At 31 December (Note 21(d)) | 580,306 | 617,106 |

50 RELATED PARTY TRANSACTIONS (Continued)

(h) Amounts due from related parties

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Joint ventures: | | |
| At 1 January | 4,519,138 | 7,165,797 |
| Amounts advanced during year | 32,641,069 | 5,587,251 |
| Repayments during year | (21,353,478) | (5,894,619) |
| Increase due to acquisition of a joint venture | – | 685,550 |
| Decrease due to deemed disposal of joint ventures | – | (974,565) |
| Increase due to partial disposal of a subsidiary | 30,420 | 712,375 |
| Decrease due to disposal of joint ventures | – | (2,762,651) |
| At 31 December (Note 21(g)) | 15,837,149 | 4,519,138 |
| Associates: | | |
| At 1 January | 2,828,199 | 2,645,054 |
| Amounts advanced during year | 8,471,885 | 4,195,947 |
| Repayments during year | (3,042,371) | (3,863,948) |
| Decrease due to deemed disposal of an associate | (619,555) | (239,514) |
| Increase due to partial disposal of a subsidiary | – | 90,660 |
| At 31 December (Note 21(g)) | 7,638,158 | 2,828,199 |

50 RELATED PARTY TRANSACTIONS (Continued)

(i) Loans from related parties

| | Year ended 31 December | |
|---------------------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Joint ventures: | | |
| At 1 January | 66,001 | – |
| Loans advanced during year | – | 66,001 |
| Repayments during year | (66,001) | – |
| Interest charged | 2,310 | – |
| Interest paid | (2,310) | – |
| At 31 December (Note 32(b)(iv)) | – | 66,001 |
| An associate: | | |
| At 1 January | – | – |
| Loans advanced during year | – | 200,000 |
| Repayments during year | – | (200,000) |
| Interest charged | – | 4,685 |
| Interest paid | – | (4,685) |
| At 31 December | – | – |

50 RELATED PARTY TRANSACTIONS (Continued)

(j) Amounts due to related parties

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Joint ventures: | | |
| At 1 January | 8,569,751 | 816,242 |
| Amounts advanced during year | 13,399,915 | 17,681,258 |
| Repayments during year | (8,322,484) | (7,594,520) |
| Decrease due to deemed disposal of joint ventures | (5,016,815) | (2,325,286) |
| Decrease due to disposal of joint ventures | – | (7,943) |
| At 31 December (Note 34(i)) | 8,630,367 | 8,569,751 |
| Associates: | | |
| At 1 January | 615,192 | 3,709,506 |
| Amounts advanced during year | 2,600,362 | 2,282,688 |
| Repayments during year | (766,319) | (3,578,259) |
| Increase due to partial disposal of subsidiaries | – | – |
| Decrease due to deemed disposal of an associate | (1,619,296) | (1,798,743) |
| At 31 December (Note 34(i)) | 829,939 | 615,192 |

51 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

| | Note | As at 31 December | |
|-------------------------------------|------|-------------------|-------------------|
| | | 2017 RMB'000 | 2016 RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Investments in subsidiaries | | 3,505,349 | 3,426,931 |
| Current assets | | | |
| Amounts due from subsidiaries | | 29,402,205 | 29,121,652 |
| Other receivables | | 2,060 | 2,060 |
| Cash and cash equivalents | | 33,346 | 54,067 |
| | | 29,437,611 | 29,177,779 |
| Total assets | | 32,942,960 | 32,604,710 |
| EQUITY | | | |
| Capital | (a) | 27,129,614 | 26,920,490 |
| Reserves | (b) | 435,309 | 410,261 |
| Retained earnings | (c) | 1,148,176 | 910,841 |
| Total equity | | 28,713,099 | 28,241,592 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 3,984,468 | – |
| Current liabilities | | | |
| Borrowings | | – | 4,297,800 |
| Amounts due to subsidiaries | | – | – |
| Other payables | | 245,393 | 65,318 |
| | | 245,393 | 4,363,118 |
| Total liabilities | | 4,229,861 | 4,363,118 |
| Total equity and liabilities | | 32,942,960 | 32,604,710 |

Approved by the Board of Directors on 21 March 2018

LI Ming
Executive Director

SUM Pui Ying
Executive Director

51 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Capital movement of the Company

| | RMB'000 |
|--|-------------------|
| At 1 January 2017 | 26,920,490 |
| Issue of shares pursuant to exercise of employee share options | 205,043 |
| Vesting of shares under Restricted Share Award Scheme | 4,081 |
| At 31 December 2017 | 27,129,614 |
| At 1 January 2016 | 26,915,412 |
| Issue of shares pursuant to exercise of employee share options | 1,196 |
| Vesting of shares under Restricted Share Award Scheme | 3,882 |
| At 31 December 2016 | 26,920,490 |

(b) Reserve movement of the Company

| | RMB'000 |
|--|-----------------|
| At 1 January 2017 | 410,261 |
| Share based payment | 103,044 |
| Issue of shares pursuant to exercise of employee share options | (36,203) |
| Vesting of shares under Restricted Share Award Scheme | (4,081) |
| Purchase of shares for Restricted Share Award Scheme | (37,712) |
| At 31 December 2017 | 435,309 |
| At 1 January 2016 | 457,338 |
| Share based payment | 138,569 |
| Issue of shares pursuant to exercise of employee share options | (325) |
| Vesting of shares under Restricted Share Award Scheme | (3,882) |
| Purchase of shares for Restricted Share Award Scheme | (181,439) |
| At 31 December 2016 | 410,261 |

51 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(c) Retained earnings

| | RMB'000 |
|----------------------------|--------------------|
| At 1 January 2017 | 910,841 |
| Profit for the year | 2,092,784 |
| Dividends relating to 2016 | (782,907) |
| Dividends relating to 2017 | (1,072,542) |
| At 31 December 2017 | 1,148,176 |
| At 1 January 2016 | 818,325 |
| Profit for the year | 922,675 |
| Dividends relating to 2015 | (319,091) |
| Dividends relating to 2016 | (511,068) |
| At 31 December 2016 | 910,841 |

52 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director for the years is set out below:

| | Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking | | | | | | | | | | | |
|--|---|--------------------------------|---|--|------------------------------------|------------------|-----------------|--------------------------------|---|--|------------------------------------|------------------|
| | Year ended 31 December | | | | | | | | | | | |
| | 2017 | | | | | | 2016 | | | | | |
| | Fees RMB'000 | Salary and bonus RMB'000 | Employer's contribution to retirement benefit scheme RMB'000 | Other long-term welfare RMB'000 | Share-based payments RMB'000 | Total RMB'000 | Fees RMB'000 | Salary and bonus RMB'000 | Employer's contribution to retirement benefit scheme RMB'000 | Other long-term welfare RMB'000 | Share-based payments RMB'000 | Total RMB'000 |
| <i>Chairman</i> | | | | | | | | | | | | |
| Mr. Li Ming | - | 5,760 | 12,890 | 3,114 | 12,532 | 34,296 | - | 5,360 | 5,620 | 1,106 | 15,415 | 27,501 |
| <i>Executive directors</i> | | | | | | | | | | | | |
| Mr. Li Hu | - | 2,460 | 114 | - | 916 | 3,490 | - | 1,250 | 82 | - | 267 | 1,599 |
| Mr. Wang Yeyi | 293 | - | - | - | 322 | 615 | 243 | - | - | - | 267 | 510 |
| Mr. Sum Pui Ying | - | 6,950 | 240 | - | 3,653 | 10,843 | - | 4,260 | 243 | - | 4,733 | 9,236 |
| Mr. Wen Haicheng | - | 2,000 | 114 | - | 3,621 | 5,735 | - | 2,000 | 108 | - | 4,687 | 6,795 |
| Mr. Li Hongbo | - | 2,245 | 114 | - | 2,124 | 4,483 | - | 2,691 | 108 | - | 2,122 | 4,921 |
| Mr. Kwok Kin Ho | - | - | - | - | - | - | 70 | - | - | - | - | 70 |
| <i>Non-executive directors</i> | | | | | | | | | | | | |
| Mr. Zhao Lijun | - | - | - | - | 183 | 183 | - | - | - | - | - | - |
| Mr. Yao Dafeng | 293 | - | - | - | 322 | 615 | 243 | - | - | - | 267 | 510 |
| Mr. Fang Jun | - | - | - | - | 375 | 375 | - | - | - | - | 448 | 448 |
| Ms. Shanguan Qing | 293 | - | - | - | 322 | 615 | 243 | - | - | - | 267 | 510 |
| Mr. Yang Leyu | - | - | - | - | - | - | 70 | - | - | - | - | 70 |
| Mr. Yang Zheng | - | - | - | - | - | - | - | - | - | - | 43 | 43 |
| <i>Independent non-executive directors</i> | | | | | | | | | | | | |
| Mr. Tsang Hing Lun (ii) | 125 | - | - | - | 147 | 272 | 313 | - | - | - | 480 | 793 |
| Mr. Han Xiaojing | 293 | - | - | - | 383 | 676 | 313 | - | - | - | 480 | 793 |
| Mr. Suen Man Tak | 293 | - | - | - | 297 | 590 | 313 | - | - | - | 267 | 580 |
| Mr. Wang Zhifeng | 293 | - | - | - | 297 | 590 | 244 | - | - | - | 267 | 511 |
| Mr. Jin Qingjun | 293 | - | - | - | 297 | 590 | 243 | - | - | - | 267 | 510 |
| Ms. Lam Sin Lai Judy (i) | 112 | - | - | - | 87 | 199 | - | - | - | - | - | - |
| Mr. Gu Yunchang | - | - | - | - | - | - | 69 | - | - | - | - | 69 |
| | 2,288 | 19,415 | 13,472 | 3,114 | 25,878 | 64,167 | 2,364 | 15,561 | 6,161 | 1,106 | 30,277 | 55,469 |

52 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

- (i) On August 2017, Mr. Lam Sin Lai Judy was appointed as an independent non-executive director.
- (ii) On 4 June 2017, Mr. Tsang Hing Lun, an independent non-executive director, has passed away.

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

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

53 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.

FIVE-YEAR FINANCIAL SUMMARY

| | 2017 RMB million | 2016 RMB million | 2015 RMB million | 2014 RMB million | 2013 RMB million |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenue | 45,837 | 34,551 | 30,824 | 38,896 | 31,099 |
| Gross Profit | 11,239 | 7,636 | 6,354 | 8,167 | 7,547 |
| Profit attributable to owners of the Company | 5,115 | 3,812 | 2,384 | 4,597 | 4,075 |
| Total assets | 191,894 | 151,265 | 148,185 | 132,212 | 137,869 |
| Total liabilities | 133,166 | 101,935 | 99,995 | 87,829 | 94,424 |
| Shareholders' equity | 48,502 | 43,999 | 43,764 | 43,024 | 40,058 |
| Total equity | 58,728 | 49,330 | 48,190 | 44,383 | 43,445 |

LIST OF PROJECT NAMES

| | Region | Cities | Project names (Chinese) | Project names (English) | Project names used before (Chinese) | Project names used before (English) |
|----|------------------------------|---------|-------------------------|---|-------------------------------------|---|
| 1 | Beijing-Tianjin-Hebei Region | Beijing | 26街區 (北京) | 26 Block (Beijing) | 順義南法信項目 | Nanfaxin Project, Shunyi District |
| 2 | | | CBD Z6 地塊 (北京) | CBD Plot Z6 (Beijing) | | |
| 3 | | | CBD Z13 地塊 (北京) | CBD Plot Z13 (Beijing) | | |
| 4 | | | 昌平未來科技城F2項目 (北京) | Changping Sci-tech Park F2 Project (Beijing) | | |
| 5 | | | 鑽石大廈 (北京) | Diamond Plaza (Beijing) | | |
| 6 | | | 遠洋萬和風景 (北京) | Eternal Scenery (Beijing) | | |
| 7 | | | 萬和斐麗 (北京) | Grand Harmony Emerald Residence (Beijing) | | |
| 8 | | | 遠洋悅山水 (北京) | Happy Garden (Beijing) | 通州臨空新村31地塊 | Linkongxincun No. 31 plot, Tongzhou District |
| 9 | | | 大興黃村0901地塊 (北京) | Huangcun 0901 Plot, Daxing District (Beijing) | | |
| 10 | | | 頤堤港 (北京) | INDIGO (Beijing) | 將台商務中心 | Jiangtai Business Center |
| 11 | | | 頤璟春秋 (北京) | Jasper Epoch (Beijing) | | |
| 12 | | | 順義佳利華項目 (北京) | Jialihua Project, Shunyi District (Beijing) | | |
| 13 | | | 房山良鄉項目 (北京) | Liangxiang Project (Beijing) | | |
| 14 | | | 麗澤商務區項目 (北京) | Lize Business District Project (Beijing) | | |
| 15 | | | 門頭溝潭柘寺項目 (北京) | Mentougou Tanzhe Temple Project (Beijing) | | |
| 16 | | | 密之雲項目 (北京) | Mizhiyun Project (Beijing) | | |
| 17 | | | 遠洋都市網景 (北京) | Ocean Cityscape (Beijing) | | |
| 18 | | | 遠洋萬和公館 (北京) | Ocean Crown (Beijing) | 大望京項目 | Dawangjing Project |
| 19 | | | 遠洋天著春秋 (北京) | Ocean Epoch (Beijing) | 石景山區劉娘府項目 | Liuniangfu Project, Shijingshan District |
| 20 | | | 遠洋新幹線 (北京) | Ocean Express (Beijing) | | |
| 21 | | | 遠洋·萬和城 (北京) | Ocean Great Harmony (Beijing) | | |
| 22 | | | 遠洋公館 (北京) | Ocean Honored Chateau (Beijing) | | |
| 23 | | | 遠洋國際中心 (北京) | Ocean International Center (Beijing) | | |
| 24 | | | 遠洋國際中心二期 (北京) | Ocean International Center, Phase II (Beijing) | 京棉項目 | Jingmian Project |
| 25 | | | 遠洋山水 (北京) | Ocean Landscape (Beijing) | | |
| 26 | | | 遠洋沁山水 (北京) | Ocean Landscape Eastern Area (Beijing) | 遠洋·沁山水 E02/03 項目 | Ocean Landscape Eastern Area E02/03 Project |
| 27 | | | 遠洋LA VIE (北京) | Ocean LA VIE (Beijing) | | |
| 28 | | | 遠洋傲北 (北京) | Ocean Manor (Beijing) | 北七家 | Beiqijia Project |
| 29 | | | 遠洋萬和四季 (北京) | Ocean Melody (Beijing) | | |
| 30 | | | 遠洋新天地 (北京) | Ocean Metropolis (Beijing) | 門頭溝新城項目 | Mentougou New Town Project |
| 31 | | | 遠洋光華國際 (北京) | Ocean Office Park (Beijing) | | |
| 32 | | | 遠洋東方公館 (北京) | Ocean Oriental Mansion (Beijing) | 通州玉橋項目 | Tongzhou Yuyiao Project |
| 33 | | | 遠洋天著 (北京) | Ocean Palace (Beijing) | 亦庄三羊項目 | Yizhuang Sanyang Project |
| 34 | | | 遠洋天地 (北京) | Ocean Paradise (Beijing) | | |
| 35 | | | 遠洋大廈 (北京) | Ocean Plaza (Beijing) | | |
| 36 | | | 遠洋風景 (北京) | Ocean Prospect (Beijing) | | |
| 37 | | | 遠洋未來廣場 (北京) | Ocean We-life Plaza (Beijing) | | |
| 38 | | | 遠洋新仕界 (北京) | Our New World (Beijing) | 遠洋春天著 | Ocean Spring |
| 39 | | | 門頭溝新城6002地塊 (北京) | Plot 6002, Mentougou New Town (Beijing) | | |
| 40 | | | 遠洋一方 (北京) | Poetry of River (Beijing) | | |
| 41 | | | 矽谷亮城4號樓 (北京) | Silicon Valley Bright Center, Building #4 (Beijing) | | |
| 42 | | | 遠洋新光項目 (北京) | Sino-Ocean Shin Kong Project (Beijing) | 通州核心區地塊 (北京) | Core Center Plot, Tongzhou District (Beijing) |
| 43 | | | 遠洋新悅 (北京) | The Place (Beijing) | 遠洋一方東區 | Poetry of River Eastern Area |
| 44 | | | 石景山五里坨組團一地塊 (北京) | Wulituo Plot, Shijingshan District (Beijing) | | |

| Region | Cities | Project names (Chinese) | Project names (English) | Project names used before (Chinese) | Project names used before (English) |
|--------|------------------|-------------------------|--|-------------------------------------|--|
| 45 | Tianjin | 通州西集C地塊(北京) | Xiji Plot C, Tongzhou District (Beijing) | | |
| 46 | | 通州西集D地塊(北京) | Xiji D Project, Tongzhou District (Beijing) | | |
| 47 | | 經開區G2R1地塊(北京) | Yizhuang EDA Plot G2R1 (Beijing) | | |
| 48 | | 奕莊汽車大廈項目(北京) | Yizhuang Motor Tower Project (Beijing) | | |
| 49 | | 汽車世界(天津) | Autoworld (Tianjin) | | |
| 50 | | 濱海弘澤製造項目(天津) | Binhai Hongze Zhizao Project (Tianjin) | | |
| 51 | | 濱海新區生態城5號地塊(天津) | Binhai New Area Eco-Town Plot 5 (Tianjin) | | |
| 52 | | 海河教育園13號地塊(天津) | Haihe Jiaoyuyuan Plot 13 (Tianjin) | | |
| 53 | | 海河教育園14號地塊(天津) | Haihe Jiaoyuyuan Plot 14 (Tianjin) | | |
| 54 | | 遠洋香奈(天津) | Ocean Chanson (Tianjin) | 奧萊二期居住項目 | Outlets Phase II Residential Project |
| 55 | | 遠洋城(天津) | Ocean City (Tianjin) | | |
| 56 | | 遠洋新幹線(天津) | Ocean Express (Tianjin) | | |
| 57 | | 遠洋萬和城(天津) | Ocean Great Harmony (Tianjin) | 倪黃莊項目 | Nihuangzhuang Project |
| 58 | | 遠洋心裡(天津) | Ocean Inside (Tianjin) | 濱海新區港濱路項目 | Gangbin Road Project, Binhai New District |
| 59 | | 遠洋國際中心(天津) | Ocean International Center (Tianjin) | | |
| 60 | | 遠洋琨庭(天津) | Ocean Kunting (Tianjin) | | |
| 61 | | 遠洋天地(天津) | Ocean Paradise (Tianjin) | 海河新天地 | Ocean Paradise |
| 62 | | 遠洋風景(天津) | Ocean Prospect (Tianjin) | | |
| 63 | | 遠洋未來廣場(天津) | Ocean We-life Plaza (Tianjin) | | |
| 64 | | 紅熙郡一期(天津) | Royal River Phase I (Tianjin) | 武清項目 | Wuqing Project |
| 65 | | 紅熙郡二期(天津) | Royal River Phase II (Tianjin) | | |
| 66 | | 鯤樓府(天津) | The Great Habitat Mansion House (Tianjin) | 華明項目(天津) | Huaming Project (Tianjin) |
| 67 | | 北辰宜興埠項目(天津) | Yixingbu Project, Beichen District (Tianjin) | | |
| 68 | Shijiazhuang | 長安區舊改項目(石家莊) | Chang'an District Redevelopment Project (Shijiazhuang) | | |
| 69 | | 長安區015號地(石家莊) | Chang'an District Plot 015 (Shijiazhuang) | | |
| 70 | | 北城山水(石家莊) | Northern Shanshui (Shijiazhuang) | | |
| 71 | | 遠洋7號(石家莊) | Sino-Ocean No. 7 (Shijiazhuang) | | |
| 72 | Zhangjiakou | 遠洋尚東萬和(張家口) | Centrality Mansion (Zhangjiakou) | 橋東區東山天地項目(張家口) | Qiaodong District Dongshantiandi Project (Zhangjiakou) |
| 73 | Langfang | 碾子營項目(廊坊) | Nianziying Project (Langfang) | | |
| 74 | | 香河萬潤項目(廊坊) | Xian He Wan Run Project (Langfang) | | |
| 75 | Northeast Region | 香頌花城(大連) | Chanson Garden (Dalian) | | |
| 76 | | 遠洋金馬杰座(大連) | Jinma Project (Dalian) | | |
| 77 | | 遠洋鑽石灣(大連) | Ocean Diamond Bay (Dalian) | | |
| 78 | | 遠洋壹中心(大連) | Ocean MIDTOWN (Dalian) | 西山項目 | Xishan Project |
| 79 | | 遠洋廣場(大連) | Ocean Plaza (Dalian) | | |
| 80 | | 遠洋風景(大連) | Ocean Prospect (Dalian) | | |
| 81 | | 遠洋自然(大連) | Ocean Seasons (Dalian) | | |
| 82 | | 紅星海世界觀(大連) | Ocean Worldview (Dalian) | | |
| 83 | | 遠洋西府海棠(大連) | Noble Mansion (Dalian) | 柳樹項目(大連) | Liushu Project (Dalian) |
| 84 | | 遠洋創智高地(大連) | Sino-Ocean Technopole (Dalian) | IT產業園—工業部分 | IT Zone — Industrial |
| 85 | | 榮域(大連) | The Place of Glory (Dalian) | 中華路3號地 | Zhonghua Road Land Plot #3 |
| 86 | | 小窑灣項目(大連) | Xiaoyao Bay Project (Dalian) | | |
| 87 | | 中華路2號地(大連) | Zhonghua Road Plot #2 (Dalian) | 遠洋溫德姆至尊豪庭大酒店 | Wyndham Grand Plaza Royale Sino-Ocean |
| 88 | Shenyang | 百利保大廈(瀋陽) | Bailibao Plaza (Shenyang) | | |
| 89 | | 遠洋大河宸章項目(瀋陽) | Grand Canal Milestone (Shenyang) | | |
| 90 | | 遠洋天地(瀋陽) | Ocean Paradise (Shenyang) | | |
| 91 | | 遠洋公館(瀋陽) | Ocean Residence (Shenyang) | | |
| 92 | Changchun | 裕沁碧苑項目(瀋陽) | Yugin Biyuan Project (Shenyang) | | |
| 93 | | 遠洋曼納小鎮(長春) | Ocean Cannes Town (Changchun) | 長春淨月項目 | Jingyue Project |
| 94 | | 遠洋錦唐(長春) | Orient Palace (Changchun) | 市經開區元亨地塊(長春) | Jingkai District Plot Yuanheng (Changchun) |

| | Region | Cities | Project names (Chinese) | Project names (English) | Project names used before (Chinese) | Project names used before (English) |
|-----|----------------|-----------|-------------------------|---|-------------------------------------|---|
| 95 | Central Region | Shanghai | 崇明東灘花園項目(上海) | Chongming Dongtan Project (Shanghai) | | |
| 96 | | | 大寧國際廣場(上海) | Danling International Plaza (Shanghai) | | |
| 97 | | | 遠洋商業大廈(上海) | Sino-Ocean Tower (Shanghai) | 東海商業中心(上海) | East Ocean Center (Shanghai) |
| 98 | | | 海興廣場(上海) | Haixing Plaza (Shanghai) | | |
| 99 | | | 金韻安老院項目(上海) | Jinyi Project (Shanghai) | | |
| 100 | | | 遠洋財富中心(上海) | Ocean Fortune Center (Shanghai) | | |
| 101 | | | 遠洋7號(上海) | Ocean Mansion No.7 (Shanghai) | | |
| 102 | | | 遠洋萬和四季(上海) | Ocean Melody (Shanghai) | 惠南項目 | Huinan Project |
| 103 | | | 西郊宸章(上海) | Wellness Masterpiece (Shanghai) | | |
| 104 | | Hangzhou | 大運河商務區項目(杭州) | Canal Business Center Project (Hangzhou) | | |
| 105 | | | 餘杭區崇賢B-6地塊(杭州) | Chongxian B-6 Plot, Yuhang District (Hangzhou) | | |
| 106 | | | 餘杭區崇賢C-7地塊(杭州) | Chongxian C-7 Plot, Yuhang District (Hangzhou) | | |
| 107 | | | 樂堤港(杭州) | Grand Canal Plaza (Hangzhou) | | |
| 108 | | | 杭氧項目(杭州) | Hangyang Project (Hangzhou) | | |
| 109 | | | 上塘宸章(杭州) | Natural Masterpiece (Hangzhou) | 拱墅區天馬廬南地塊 | South block of Tianma in Gongshu District |
| 110 | | | 遠洋香奈(杭州) | Ocean Chanson (Hangzhou) | 江幹區丁橋R21-15項目 | Dingqiao R21-15 Project, Jianggan District |
| 111 | | | 遠洋心裡(杭州) | Ocean In Your Heart (Hangzhou) | 普福項目 | Pufu Project |
| 112 | | | 遠洋公館(杭州) | Ocean Mansion (Hangzhou) | 遠洋公館 | Canal Commercial District |
| 113 | | | 遠洋萬和四季(杭州) | Ocean Melody (Hangzhou) | 江幹區彭埠項目 | Pengbu Project, Jianggan District |
| 114 | | Nanjing | 招商遠洋春秋華庭(杭州) | Seasons Courtyard (Hangzhou) | | |
| 115 | | | 遠洋雁歸里(杭州) | Sino-Ocean Native Place (Hangzhou) | 蕭山臨浦項目(杭州) | Xiaoshan Linpu Project (Hangzhou) |
| 116 | | | 遠洋國際中心(南京) | Ocean International Center (Nanjing) | | |
| 117 | | | 遠洋山水(南京) | Ocean Landscape (Nanjing) | 吉山項目(南京) | Jishan Project (Nanjing) |
| 118 | | | 遠洋綠地雲峰公館(南京) | Sino-Ocean Land Greenland Premier Court (Nanjing) | 江寧區高新園G98項目 | Gaoxinyuan G98 Project, Jiangning District |
| 119 | | Huangshan | 遠洋桃花島(黃山) | An Island Paradise (Huangshan) | 桃花島項目 | Taohuadao Project |
| 120 | | Qingdao | 遠洋萬和四季(青島) | Ocean Melody (Qingdao) | 黃島區五臺山路地塊 | Wutaishan Road Plot, Huangdao District |
| 121 | | Wuhan | 遠洋風景(青島) | Ocean Prospect (Qingdao) | | |
| 122 | | | 遠洋自然(青島) | Ocean Seasons (Qingdao) | | |
| 123 | | | 膠州市興正元項目(青島) | Xingzhengyuan Project, Jiaozhou (Qingdao) | | |
| 124 | | | 高雄路項目(武漢) | Gaoxiong Road Project (Wuhan) | | |
| 125 | | | 賀家墩項目(武漢) | Hejiadun Project (Wuhan) | 有座莊園 | Tangchen Project |
| 126 | | | 遠洋莊園(武漢) | Ocean Manor (Wuhan) | | |
| 127 | | | 遠洋世界(武漢) | Ocean World (Wuhan) | | |
| 128 | | | 遠洋東方境世界觀(武漢) | Oriental World View (Wuhan) | 漢陽區歸元寺項目(武漢) | Hanyang District Guiyuan Temple Project (Wuhan) |
| 129 | | | 汾湖006地塊(蘇州) | Fenhu Plot 006 (Suzhou) | | |
| 130 | | | 萬和四季(蘇州) | Ocean Melody (Suzhou) | 太倉港區項目(蘇州) | Taicang gangqu Project (Suzhou) |
| 131 | | Hefei | 石湖項目(蘇州) | Shihu Project (Suzhou) | | |
| 132 | | | 都會1907(合肥) | Metropolitan 1907 (Hefei) | | |
| 133 | | Changsha | 遠洋外灘壹號(長沙) | Bund No.1 (Changsha) | S10項目(長沙) | S10 Project (Changsha) |
| 134 | | Nanchang | 雅郡項目(長沙) | Yajun Project (Changsha) | | |
| 135 | | | 遠洋天驕(南昌) | Sino-Ocean Elite Mansion (Nanchang) | | |
| 136 | | Jiaxing | 灣裡區178項目(南昌) | Wanli 178 Project (Nanchang) | | |
| 137 | | | 嘉興物流項目(嘉興) | Jiaxing Project (Jiaxing) | | |
| 138 | | Taiyuan | 小店區省檢項目(太原) | Shengjian Project, Xiaodian District (Taiyuan) | | |
| 139 | | Wuxi | 好施項目(無錫) | Haoshi Project (Wuxi) | | |
| 140 | | | 裕沁項目(無錫) | Yuqin Project (Wuxi) | | |
| 141 | | Zhengzhou | 新鄭市龍湖鎮107國道項目(鄭州) | 107 Road Project, Longhu Town (Zhengzhou) | | |

| | Region | Cities | Project names (Chinese) | Project names (English) | Project names used before (Chinese) | Project names used before (English) |
|-----|-----------------|-----------|-------------------------|---|-------------------------------------|---|
| 142 | Southern Region | Shenzhen | 荔山項目(深圳) | Lishan Project (Shenzhen) | | |
| 143 | | | 龍華區德愛電子廠項目(深圳) | Longhua District De Ai Industrial Park (Shenzhen) | | |
| 144 | Guangzhou | Guangzhou | 遠洋新幹線(深圳) | Ocean Express (Shenzhen) | 南聯項目 | Nanlian Project |
| 145 | | | 遠洋新天地(深圳) | Ocean Metropolis (Shenzhen) | 盛平項目 | Shengping Project |
| 146 | | | 水灣項目(深圳) | Shuiwan Project (Shenzhen) | | |
| 147 | | | 遠洋天驕(廣州) | Elite Palace (Guangzhou) | 廣州粵隆客車廠 | Yuelong Project |
| 148 | | | 芙蓉墅(廣州) | Hibiscus Villa (Guangzhou) | 芙蓉墅項目(廣州) | Hibiscus Villa Project (Guangzhou) |
| 149 | | | 白雲區禮花項目(廣州) | Honoka Project in Baiyun District (Guangzhou) | | |
| 150 | | Zhongshan | 遠洋繁花里(中山) | Blossoms Valley (Zhongshan) | 神灣項目(中山) | Shenwan Project (Zhongshan) |
| 151 | | | 遠洋君域(中山) | King Realm (Zhongshan) | 東升隆成項目(中山) | Dongsheng Longcheng Project (Zhongshan) |
| 152 | | | 遠洋香緹(中山) | Ocean Aromas (Zhongshan) | 連興園項目 | Lianxingwei Project |
| 153 | | | 遠洋錦上(中山) | Ocean Bloom (Zhongshan) | 東鳳項目 | Dongfeng Project |
| 154 | | | 遠洋城(中山) | Ocean City (Zhongshan) | | |
| 155 | | | 遠洋翡翠郡一期(中山) | Ocean Emerald Phase I (Zhongshan) | 南頭項目 | Nantou Project |
| 156 | | | 遠洋翡翠郡二期(中山) | Ocean Emerald Phase II (Zhongshan) | | |
| 157 | | | 遠洋瓏郡(中山) | Ocean Longshire (Zhongshan) | 橫欄項目(中山) | Henglan Project (Zhongshan) |
| 158 | | | 遠洋一方(中山) | Ocean Magic City (Zhongshan) | 新家園II期項目 | Xinjiayuan Phase II |
| 159 | | | 遠洋啟宸(中山) | Ocean New Era (Zhongshan) | 橫欄項目 | Henglan Project |
| 160 | Hong Kong | Hong Kong | 遠洋世家(中山) | Sino-Ocean Aristocratic Family (Zhongshan) | 大信融佳項目(中山) | Da Xin Rong Jia Project (Zhongshan) |
| 161 | | | 遠洋風景(中山) | Ocean Prospect (Zhongshan) | 金馬遊藝廠項目(中山) | Jin Ma You Yi Chang Project (Zhongshan) |
| 162 | | | 南頭穗西村項目(中山) | Suixicun Project, Nantou (Zhongshan) | | |
| 163 | | | 遠洋新悅(中山) | The Place (Zhongshan) | | |
| 164 | | | 五桂山龍塘村項目(中山) | Wuguishan Longtangcun Project (Zhongshan) | | |
| 165 | | | 將軍澳日出康城六期(香港) | LOHAS Park Package 6, Tseung Kwan O (Hong Kong) | | |
| 166 | | Haikou | 遠洋華墅(海口) | Ocean Zen House (Haikou) | 遠洋浮木陣 | Ocean Driftwood Array |
| 167 | | Sanya | 紅塘灣項目(三亞) | Hongtang Bay Project (Sanya) | | |
| 168 | | | 遠洋公館(三亞) | Ocean Mansion (Sanya) | 遠洋奧林匹克公館 | Ocean Olympics |
| 169 | | | 遠洋山海(三亞) | Ocean Treasure (Sanya) | | |
| 170 | | | 棠棣項目一期(三亞) | Tang Di Project (Sanya) | | |
| 171 | Chongqing | Chongqing | 九龍坡區高廟地塊(重慶) | Gaomiao Plot, Jiulongpo District (Chongqing) | | |
| 172 | | | 九龍坡區高廟地塊二期(重慶) | Gaomiao Project, Phase II, Jiulongpo District (Chongqing) | | |
| 173 | | | 渝北區九曲河2號地(重慶) | Jiuquhe Plot 2 of Yubei District (Chongqing) | | |
| 174 | | | 遠洋高爾夫國際社區(重慶) | Sino-Ocean International Golf Resort (Chongqing) | 國際高爾夫項目 | Golf Club Project |
| 175 | Chengdu | Chengdu | 華敏翰尊國際大廈(成都) | Huamin Empire Plaza (Chengdu) | | |
| 176 | | | 龍泉陽光城項目(成都) | Longquan Sunshine Town Project (Chengdu) | | |
| 177 | | | 遠洋萬和公館(成都) | Ocean Crown (Chengdu) | | |
| 178 | | | 睿東中心(成都) | Pinnacle One (Chengdu) | 大慈寺項目 | Dacisi Project |
| 179 | | | 成都遠洋太古里(成都) | Sino-Ocean Taikoo Li Chengdu (Chengdu) | | |
| 180 | | | 犀浦項目(成都) | Xipu Project (Chengdu) | | |
| 181 | | Xiamen | 翔安區2017XP02地塊(廈門) | Plot 2017XP02, Xiang'an District (Xiamen) | | |
| 182 | | | 翔安區2017XP03地塊(廈門) | Plot 2017XP03, Xiang'an District (Xiamen) | | |
| 183 | | Kunming | 呈貢大學城項目(昆明) | Chenggong Project (Kunming) | | |
| 184 | | Foshan | 三水雲庭大道北地塊八(佛山) | Sanshui Project (Foshan) | | |
| 185 | USA | | 北卡羅萊納州項目(美國) | North Carolina Project (USA) | | |
| 186 | | | 三藩市項目(美國) | San Francisco Project (USA) | | |

