Creation our fundamental

Performance our priority

SINO-OCEAN

遠洋集團

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

2016 Annual Report

Creation our fundamental

Performance our priority

Creation . Performance
key words of Sino-Ocean Group in 2017
Creation
is directed towards delivering
values and new Competitiveness
Performance
is measured by continuous
progress in pursuit of core goals

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

ABOUT SINO-OCEAN

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 2016, 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 and Hang Seng Mainland Properties 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, community O2O, senior living, medical care, shared offices, real estate funds, equity investments, asset management and overseas investments. “Sino-Ocean” is a brand name with nationwide reputation as a provider of consistent quality products and professional services.

Sino-Ocean Group currently owns more than 80 projects in different stages in rapidly growing Chinese cities and metropolitan regions, such as Beijing and Tianjin in the Beijing-Tianjin-Hebei Region, Dalian, Shenyang and Changchun in Northeast Region, Shanghai, Hangzhou, Nanjing, Huangshan, Qingdao and Wuhan in Central Region, Shenzhen, Guangzhou, Zhongshan, Hong Kong, Haikou, Sanya, Chongqing and Chengdu in Southern Region. As at 31 December 2016, we had a land reserve of approximately 21,699,000 sq.m., of which approximately 95% were located in tier-one and tier-two cities.


Beijing CBD Plot Z6
Beijing CBD Plot Z13

创造为本
业绩为先

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FINANCIAL & OPERATION HIGHLIGHTS

Financial Highlights (RMB million)	2016	2015	Change (%)
Contracted Sales	50,380	40,537	24%
Revenue	34,551	30,824	12%
Gross profit	7,636	6,354	20%
Profit for the year	4,446	2,251	98%
Profit attributable to owners of the Company	3,812	2,384	60%
Core profit	2,666	3,065	-13%
Total assets	151,265	148,185	2%
Equity attributable to owners of the Company	43,999	43,764	1%
Cash resources[1]	22,341	23,726	-6%
Financial Information per share			
Earnings per share (RMB)			
— Basic	0.493	0.284	74%
— Diluted	0.493	0.283	74%
Dividend per share (HKD)	0.199	0.125	59%
Financial Ratios			
Gross profit margin (%)	22%	21%	1% pt
Core profit margin (%)	8%	10%	-2% pts
Net profit margin (%)	13%	7%	6% pts
Net gearing ratio (%)[2]	44%	59%	-15% pts
Dividend payout ratio (%)	34	33%	1 pt
Current ratio (times)	1.7	2.0	-15%

Operational Highlights (thousand sq.m.)	2016	2015	Change (%)
Landbank	21,699	19,921	9%
Saleable GFA* sold	2,902	3,197	-9%
Saleable GFA delivered	2,325	2,058	13%

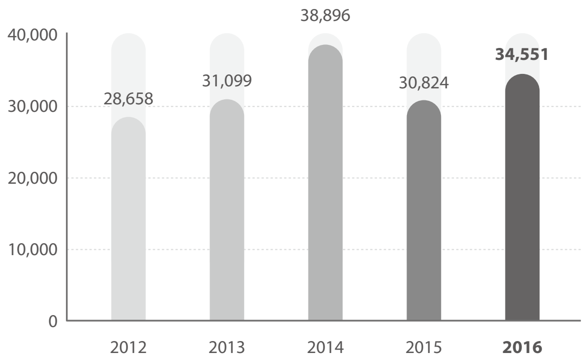
* GFA = Gross floor area

Notes:

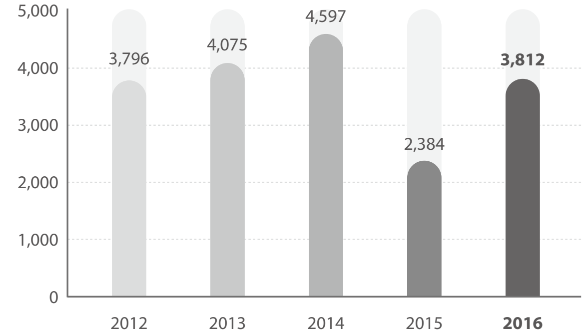
1 Including the restricted bank deposits

2 Total borrowings minus cash resources divided by total equity

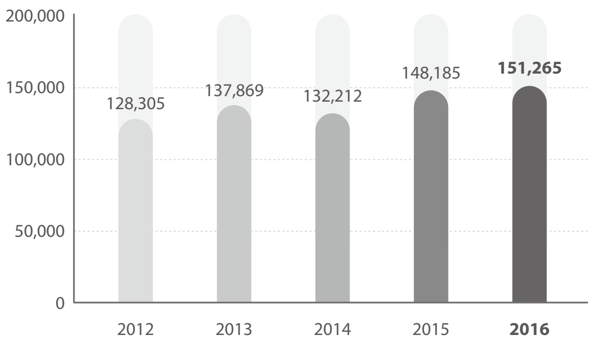
Revenue
(RMB million)



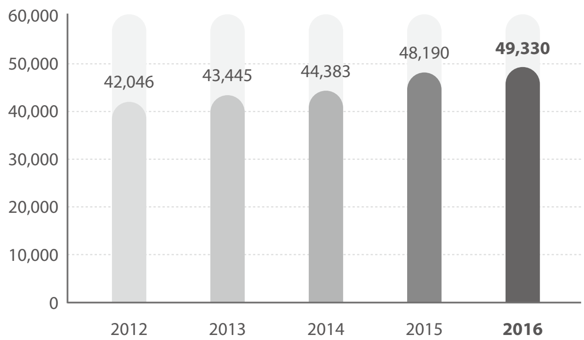
Profit attributable to owners of the Company
(RMB million)



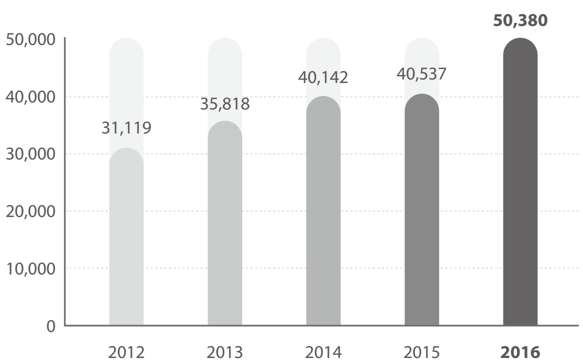
Total assets
(RMB million)



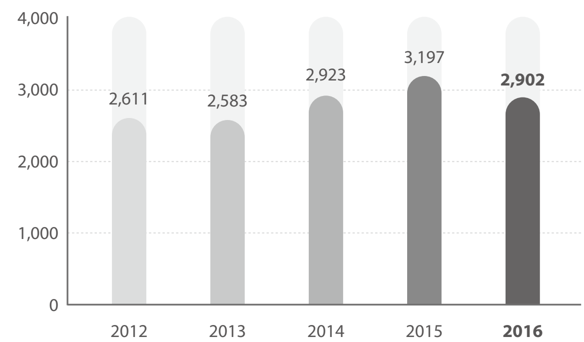
Total equity
(RMB million)



Contracted sales
(RMB million)



Saleable GFA sold
('000 sq.m.)



PROJECT DISTRIBUTION

Sino-Ocean Group as a Nationwide Corporation, Our Project Coverage has been Extended to 19 Cities all Over The PRC

BEIJING-TIANJIN-HEBEI REGION

Beijing, Tianjin

Total GFA: 13,050,000 sq.m.
Total landbank: 9,299,000 sq.m.

No. of projects: **33**

CENTRAL REGION

Shanghai, Hangzhou, Nanjing, Huangshan, Qingdao, Wuhan

Total GFA: 4,711,000 sq.m.
Total landbank: 3,820,000 sq.m.

No. of projects: **17**

NORTHEAST REGION

Dalian, Shenyang, Changchun

Total GFA: 8,458,000 sq.m.
Total landbank: 4,581,000 sq.m.

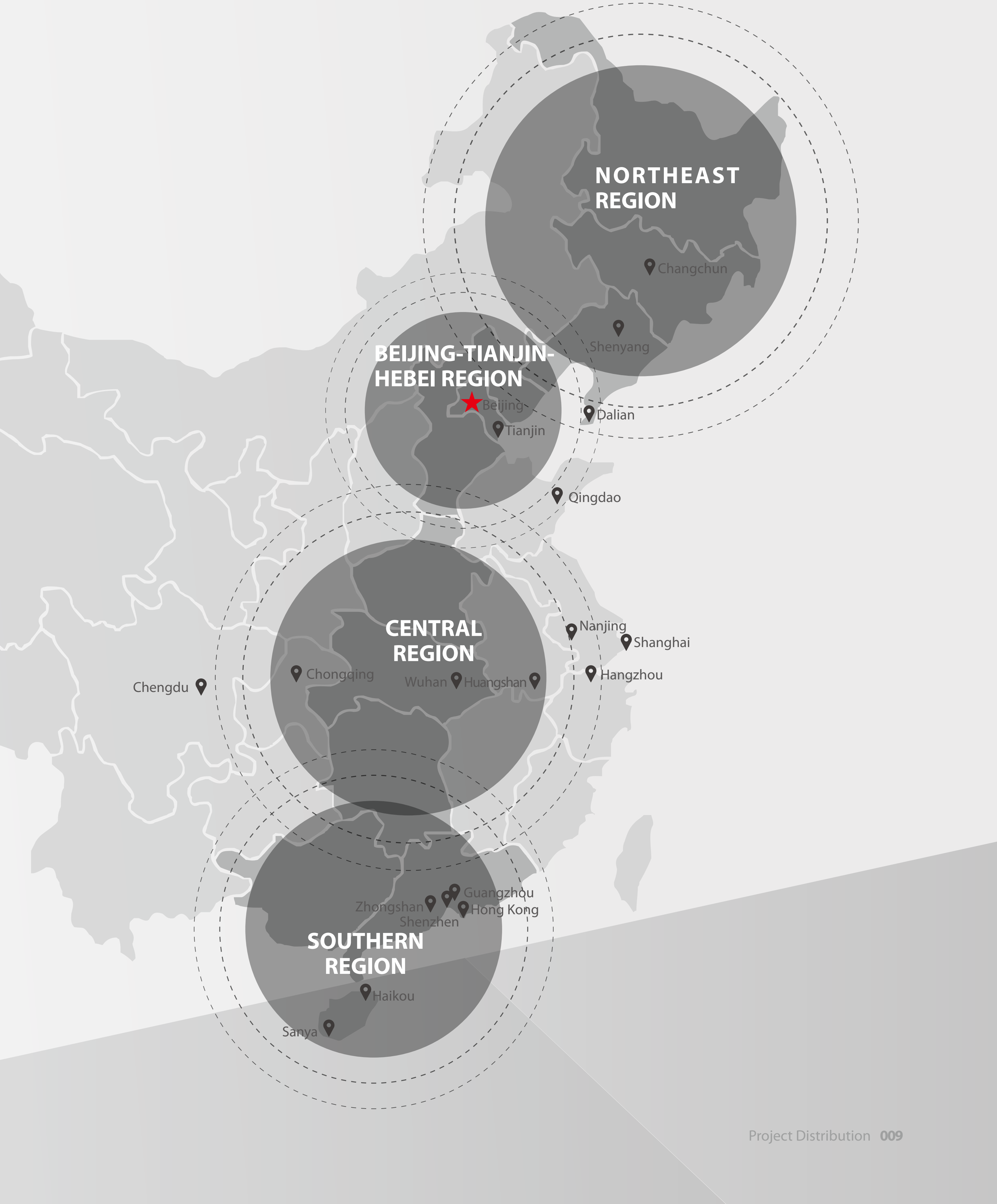
No. of projects: **9**

SOUTHERN REGION

Shenzhen, Guangzhou, Zhongshan, Hong Kong, Haikou, Sanya, Chongqing, Chengdu

Total GFA: 7,979,000 sq.m.
Total landbank: 3,999,000 sq.m.

No. of projects: **23**


NORTHEAST
REGION
Changchun
Shenyang
Dalian
BEIJING-TIANJIN-
HEBEI REGION
Beijing
Tianjin
Qingdao
CENTRAL
REGION
Chongqing
Wuhan
Huangshan
Chengdu
Nanjing
Shanghai
Hangzhou
Guangzhou
Zhongshan
Hong Kong
Shenzhen
SOUTHERN
REGION
Haikou
Sanya

CHAIRMAN'S STATEMENT

SINO-OCEAN 遠洋集團
Annual Report 2016

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 2016.

RESULT OF 2016 AND FINAL DIVIDEND

For the twelve months ended 31 December 2016, the Group recorded RMB34,551 million in revenue, an increase of 12% compared to the previous year. Profit attributable to owners of the Company and earnings per share reached RMB3,812 million and RMB0.493, rising 60% and 74% respectively.

Based on the profit attributable to owners of the Company in 2016, the Board is pleased to propose a final dividend of HKD0.12 per share for the year ended 31 December 2016. Together with the interim dividend of HKD0.079 per share, total dividend per share for 2016 was HKD0.199 (2015: HKD0.125), representing a dividend payout ratio of 34% (2015: 33%). The payment of the 2016 final dividend would be subject to shareholders' approval at the Company's annual general meeting (the "AGM").

2016 BUSINESS REVIEW

In 2016, the Group fully rolled out its fourth phase of strategic development. In view of the new dynamics and changes within the industry, the Group boosted quality in all aspects by working on 'refining location planning, creating new products, enhancing customer services and encouraging synergy among shareholders', thus building a solid foundation for the realization of our strategic goals.

Augmented the principal businesses across the board and fortified the core competitiveness

In 2016, the Group's principal businesses progressed in leaps and bounds in terms of scale, profits and risk resistance. Total contracted sales in the year exceeded RMB50 billion for the first time, growing approximately 24% year-on-year and reaching a historical high. Sales volume was also more evenly distributed among regions, seasons and businesses. The Group's total revenue in 2016 reached RMB34,551 million, up by about 12% year-on-year (YoY), delivering a profit attributable to owners of the Company of about RMB3,812 million, an increase of about 60% YoY. Total revenue from property development business of the Group reached RMB30,809 million, rising by 14% YoY and over 90% came from tier-one and tier-two cities, going up by 10 percentage points. Contributions from tier-three cities came from cultivating cities such as Zhongshan. Results of the Group's adjusted location planning strategy of withdrawing from tier-three and tier-four cities and deep penetration of city clusters and major tier-two cities were becoming evident.

Intensified overall cash flow management and further optimized debt structure

As a result of intensified cash flow management, the Group achieved a cash collection of more than RMB43 billion, rising substantially by nearly RMB10 billion YoY. We grasped a window in the bond market and issued corporate bonds in total of RMB4 billion at a rate of 3.5% for a five-years term only, hitting a historical low. Through early repayment of high-interest loans, strict control of new loans and innovative finance channels, the Group managed to reduce the comprehensive cost of finance from 6.25% in 2015 to 5.38% in 2016, maintaining interest-bearing debt at about RMB43,810 million. As at the end of 2016, the Group had cash in hand RMB22,341 million, at a net gearing ratio of 44%, 15 precentage points lower YoY. At the same time, the Group fine-tuned its debt structure further to keep its two-year debts of about RMB10 billion, putting it in a strong position to grow during a period of stable monetary policy.

Continued to optimize location planning and effectively control land cost

In 2016, the Group was determined to cultivate city clusters and major tier-two cities as demanded by its strategy. The Group replenished nearly 5 million sq.m. of land bank primarily in the Beijing-Tianjin-Hebei Region, the Yangtze River Delta, the Pearl River Delta and prime tier-two cities, also to go into Changsha for the first time. In view of the fierce competition in the open market, the Group explored alternative ways of acquiring land and acquired over 60% of the projects at relatively advantageous prices through cooperation and merger and acquisitions. As a result, key indicators such as gross profit ratio of newly-acquired land and internal rate of return managed to rise in a downward market. The Group's land bank was further optimized in both location and cost, reserving ample buffer against cyclical market fluctuations and for counter-cyclical acquisition of quality land.

Revitalized our brand and refining its value

The fourth phase of strategic development required the Group to take a holistic approach in building a diversified business with five focuses on property development, investment property development, customer service business, product construction and real estate finance. As the business structure became more established, the Group revitalized its branding after a year's deliberation and planning. On 14 June, the Group hosted a presentation entitled 'Changing Together for Healthy Buildings' to launch a completely new branding, redefining and upgrading the brand's positioning, content, image and structure. Branding of the Group developed into a combination of profits operation comprising 'Sino-Ocean Group', 'Sino-Ocean Real Estate', 'Sino-Ocean Commercial Property', 'Sino-Ocean Service', 'Sino-Ocean Capital' and 'Sino-Ocean Construction'. The Group believed that delivery of values should be guided by human's needs and values, hence construction should be concerned with the health needs of the human who live and work in the buildings. The Group had firmly established 'health' as a major feature of our products and used healthy construction to start an era of healthy living with all stakeholders.

Raised quality of products to build advantage in construction

Since 'health' had been established as the major feature of its products, the Group introduced and rapidly implemented WELL standard, which had been adopted in 12 projects covering more than one million sq.m.. On 22 February 2017, WELL Living Lab (China), the first of such lab in Asia, was launched in Sino-Ocean Ying Chuang, Wellness Industrial Park, providing powerful support to the mission of 'creating quality living environments for mid to high-end urban citizens and high-end business clients'. At the same time, by segregating development and construction, boosting full-cycle project management and stepping up execution to target, the Group managed to keep construction cost of its principal development business at industry's optimal level through improved cost control. After years of intensive refinement, the Group succeeded in improving its products not only in quantity but also in quality in 2016. Quality surveys showed that the Group's residential projects under construction were in the top tier of the industry, whereas marketing presentation and quality products delivered were also essentially higher.

Fortified strategic planning and elevated operating capability

In 2016, while maintaining the scale of the traditional property development business, the Group invested more resources in investment property development, customer service businesses and real estate finance, raising the core capability of its investments. Cultivation in the operating capabilities of the various businesses broke new grounds.

Income from the Group's investment properties enjoyed a stable growth as our operating capability matured. Fine-tuning and systematic alignment of retail space, raised rentals, improved income structure and tightly managed operating costs all contributed to a substantial YoY growth in EBITDA. Total rental income in 2016 was approximately RMB2.5 billion, of which attributable income was approximately RMB1.7 billion. As regards projects in operation, there was material increase in rental income on tenancy renewal for Ocean Plaza and Ocean Office Park in Beijing. Business operation of large-scale commercial complex Sino-Ocean Taikoo Li Chengdu has been going from strength to strength since opening and become a commercial landmark in the Southwest Region. As regards office space, a strategic cooperation agreement with the world's top co-work space operator WeWork was signed to land their first project in the Asia-Pacific market, to be followed by full cooperation in numerous projects to come. In addition, the Group completed acquisition of mature office blocks East Ocean Center and Ke En Project in Shanghai. Several medium to large complexes in Beijing, Tianjin, Wuhan and Nanjing are progressing simultaneously. Investments in We-life Plaza in Tianjin and Grand Canal Place in Hangzhou were complete in 2016 and are scheduled to open in 2017, both offering promising prospects.

The traditional property service business completed its development platform and chain of business. Ocean Homeplus Property Service Corporation Limited ("Ocean Homeplus") was officially listed on 9 May 2016 on the National Equities Exchange and Quotation System (stock code: 837149.OC) becoming its largest listed property service company. It was the Group's first independent listing of a specific business unit. As it expanded its scale in the market, Ocean Homeplus launched innovative community services such as study rooms and storage in tier-one cities in a massive way. Test runs for its IT-based intelligent community service system began.

In the meantime incubation work on customer services yielded visible results. The Yijiequ community services O2O platform signed up 183 mid to high-end projects in 2016, covering more than 300,000 households in 350 communities. The Group's healthcare service 'Health in Here' was launched in 2016 with the opening of Beijing Wangjing Boya Clinic and Beijing Guomao Guanghua Clinic. The medical team was in place and the business model basically established.

Both operating and expansion capabilities of our senior living business proved excellent. Senior Living L'Amore Yizhuang enjoyed full occupancy after opening for three years. Both Senior Living L'Amore Qingta and Senior Living L'Amore Beiyuan opened in 2016 and have been enjoying remarkable occupancy. The Qingta project in particular exceeded 60% in 10 months after opening, a front-runner in the industry. The Group locked-in 11 projects during the year and acquired the first senior living community project Senior Living L'Amore Hangwan Continuing Living Retirement Community, to be followed by stronger presence in tier-one major cities and coastal cities to boost business scale rapidly.

Real estate finance was another highlight in the Group's performance and gradually achieving the strategic goal of being industry-and-capital-driven. In 2016, assets under management in the real estate funds were approximately RMB35 billion, growing approximately 40% YoY and of which equity investments rose materially. The funds also brought about financial synergy in the Group's primary businesses of property development and investment property development. In 2016, the Group also successfully re-sold over RMB10 billions of funds, establishing a virtuous cycle of financing, investing, managing and exiting. In terms of equity investments, the Group bought equity in Capital Juda (stock code: 1329.HK), China Logistics (stock code: 1589.HK), CSJ-SBI Financial Media and Jiuye Supply Chain as a strategic investor. While producing considerable income, these investments also complemented the Group's operating capabilities in real estate and finance. In terms of overseas investment, property development and investment property development in North America marked a good start of global configuration of the Group's assets and businesses.

Persevered with creative management to raise executive prowess continually

In line with the principles of 'business-oriented, horizontal and flexible' proposed in 2015, the Group in 2016 continued to refine organization structure and management, encourage business units to initiate work independently, augment planning based on a project's full-cycle, match targets achieved with rewards and raise IT level for internal management. The team's enthusiasm among staff was perceptibly higher and the attitude to 'achieve set targets, pursue the ultimate and change proactively' was prevalent. The team's enhanced execution capability enabled smooth and efficient progression of various tasks including de-stocking, product delivery, work-in-progress and solving outstanding problems. Performance indicators for net assets, sales income and net profits set for the year by the fourth phase of strategic development were basically achieved.

Augmented shareholder synergy and reinforced equity structure

As major shareholders, China Life Insurance (Group) Company and Anbang Insurance Group Co., Ltd. have always provided strong support to the Group. As regards to corporate governance, they have always maintained a stable shareholding ratio and in addition to directors, each appointed a member of senior management in 2016 to be involved in the overall management and major decisions, encouraging strategic synergy between the shareholders and the Group. In terms of capital, they were the first to subscribed to the Group's several offshore and onshore bond issues. During the year, the Group explored extensively various areas for cooperation opportunities, and succeeded in collaborating on a strategic level and launching projects in investment property development, equity investments, development and operation of senior living and overseas investments. As business grew steadily, location planning improved continually and cooperation with major shareholders became closer, the Group's influence and importance to the major shareholders were further strengthened, shareholder synergy increased and its equity structure will continue to be stable.

2016 market review

2016 was a year of cycle reversal for the real estate industry. The relaxed policies since 2014 produced satisfactory results on de-stocking in the past year. Both volume and sales prices of commodity housing in major cities throughout the country in the first three quarters climbed. Total GFA of commodity housing sold in 2016 rose to 1,573.49 million sq.m., an increase of 22.5% YoY. Total sales reached RMB11,762.7 billion, rising by 34.8% YoY, an all time high. Stock available for sale at the end of the year decreased even when investments in property development and GFA of new work rebounded. The rapid rise in transactions boosted property prices in popular cities excessively and also the potential risk of asset bubbles. In March 2016, some cities re-introduced policies to restrict purchase, loan and price. Since September, guided by the objectives of 'de-leveraging' and 'suppressing asset bubbles', major tier-one and tier-two cities adjusted the policies according to their own situation and tightened overall policies on purchase, loan, selling price, capital and land, transactions dropped as a result. Prices of commodity housing went into a period of stable consolidation.

The fluctuations of the market accentuated the differentiation of various cities. Asset prices of tier-one cities in prime city clusters such as Beijing-Tianjin-Hebei Region, the Yangtze Delta and Pearl River Delta quickly approached those of international cities and influenced transaction volumes and prices of peripheral cities such as Langfang, Suzhou, Foshan and Dongguan. Total GFA of commodity housing transacted in the three major city clusters amounted to 40% of the national total. Residential prices in regional centre cities such as Hefei, Zhengzhou, Wuhan and Jinan rose by 20%–40% YoY and stock for sale dropped to a record low. However, population in most tier-three and tier-four cities is unlikely to grow much. Therefore, overall stock level remained high despite improved transaction volumes and prices. People, resources and economic activities continued to be drawn towards prime city clusters and regional centre cities. These cities are still the foci of China's regional economic development and the real estate industry will continue to gravitate towards the regions mentioned above.

As GFA sold and sales amount reached historical high again, the industry's total growth approached its limit and competition became even steeper. Pace of industry consolidation escalated. Sales of the top ten property developers exceeded 21% of the market share in 2016, 1.4% higher YoY. Market share of the next 20 developers dropped YoY and competition among branded enterprises heightened. As fierce competition in land bidding thrust land prices up, many plots were acquired at a premium in 2016 in the open market, each one higher than the other. Although the ratio of land sales in tier-one cities decreased, average land price of urban residential plots in 35 medium to large cities increased by approximately 38.1% accumulatively in the first three quarters and by 48.6% in the third quarter YoY. Faced with steep competition, property enterprises actively sought opportunities for acquisitions of companies and projects. Certain benchmarking enterprises had completed mergers and acquisitions at the company level. More and more developers are choosing merges and acquisitions of projects, joint-development and joint-acquisition of land as ways to tackle high land prices.

Market outlook in 2017

China's macro economy is still facing enormous internal and external pressures in 2017. The Central Government is working on stable growth but at the same time risk aversion. The goal is for the country's GDP to have a steady but progressive growth of about 6.5%. At the same time, to avoid fluctuations in asset values and systemic financial risk brought about by gearing in the initial phase, the government was determined to implement strict overall control in the real estate market since October 2016. Money supply was effectively controlled. All major cities in China continued to tighten land acquisition and policies on real estate finance and property sale. The likelihood of returning to lax real estate policies and letting property investments to stimulate the macro economic growth is small. The Central Economic Working Conference has proposed policies to curb real estate bubbles on the one hand and prevent excessive fluctuations on the other hand as the way the industry will go by in 2017.

In a regulated environment, superior property enterprises may see a rare window of opportunity in an unfavorable market in 2017. The People's Bank of China, the China Securities Regulatory Commission, the China Banking Regulatory Commission and the Asset Management Association of China strictly prohibit irregular entry of all non-standardized funds into real estate. Since the Shanghai Stock Exchange and Shenzhen Stock Exchange raised the threshold for the issue of corporate bonds by property enterprises, industry players are now relying more and more on their own funds. Many property companies recently were unable to raise capital they set out to do. In the meantime, the stringent control on property prices limited profit-yield of land acquired at high cost. The pressure on capital will provide considerable mergers and acquisitions opportunities for property enterprises in a solid financial position. In addition, with this round of regulations of 'supporting reasonable self-use purchase', demand in city clusters and major tier-two cities is suppressed in the short-term but will be released in an orderly manner later. In tier-one and tier-two cities where overall stocks are relatively low and have room for sales transactions and prices to grow, a sensible location planning of land bank will give premium developers a foundation for sustainable growth.

Certain emerging sub-segments in the real estate industry are hoped to progress from incubation to fast-growth in 2017. On the one hand, in an environment in which the primary business is affected by macro policies, traditional business becomes more competitive and core competitiveness of emerging sub-segments matures, property developers have the motivation and capability to speed up the growth of a diversified business. On the other hand, socio-economic changes such as the rising consumption power of the urban middle-class, the ageing of the first generation of baby-boomers, the bigger singles population and a lower threshold to starting a new business have created a lot of rooms for mid to high-end commercial space, logistics real estate, senior living real estate, long-lease apartments and co-work space to develop. To grow rapidly in areas where one has core competitiveness and resources, participating in setting industry standards and establishing an advantageous position will be the vantage point that traditional property developers fight for.

Company strategies in 2017

In view of the new circumstances and opportunities presented by the macro economy and the industry, the Group will, according to the set targets and requirements of the fourth phase of strategic development, perform its various tasks around the principles of 'optimizing management, creating values, elevating efficiency and accelerating results' to build momentum on a sound, sustainable and steadfast basis.

Define authority and responsibilities and fortify execution prowess

The Group will empower the positioning of income center, cost center and profit center in each business to determine its regional strategy, resource allocation, business execution, promote localized management of all resources to encourage independence of each business and initiatives to deliver better performance. The Group's head-quarters will continue to provide support, set standards, control at high level and share monitoring to ensure effective synergy among various businesses and thorough execution of the Group's development strategy. The full-cycle operation plan of projects will be a powerful starting point for the Group's internal management and the basis on which staff deployment, setting of assessment standards and financial forecast will be determined. Middle and senior management will be appraised and incentivized by measuring quality of execution against set standards objectively.

To be performance-oriented and translating capabilities into values

As capabilities and accumulated cooperation resources of the Group's various businesses mature, the Group in 2017 will translate these into values for the Company and shareholders. Land plots will continue to be acquired flexibly and through various channels to ensure quality in the rapid expansion of new projects. Products will be professionally and exquisitely crafted with an artisan spirit, and services will be refined continually. These changes will be turned into brand premium. Co-operation with excellent partners will be extended to more areas and on a larger scale. More talents will be recruited and a more performance-oriented incentive mechanism will be in place to ensure the above-mentioned translation.

Exploit fully all resources, control costs stringently to raise efficiency

The Group will encourage awareness of resources across the board. First, it will raise the efficiency of financial resources by doing multi-faceted and frequent analyses on operational activities to ensure the best allocation, increase capital turnover and the ability to deliver results. Secondly, it will continue with asset management started in 2016, provide high incentives and invigorate inefficient assets. Thirdly, it will watch closely resources spent on development and operation. The Group will augment sales capabilities in all aspects and build systems to ensure all resources are deployed at appropriate market value. The Group will also promote comprehensive cost management to delineate all costs, apply stringent assessment and execution of cost-control over the full-cycle of each project, boost relationship between cost-control and reward to further enhance cost-competitiveness in all businesses.

Fully grasp the industry's tempo to enhance performance

The Group will grasp opportunities presented by fluctuations in the industry and make the most of all carefully garnered advantages to enhance performance in all aspects. A scheme to boost sales volume of property development has been launched within the year. While adhering to the investment criteria, the Group will match the rate of increasing land bank replenishment with that of sales volume. New entries to certain important tier-two cities and regions have produced results as this annual report is released. As regards investment property development, the Group will make major breakthroughs in the scale, profit model and development capability. It will raise significantly or even double the business scale of property management and senior living while aiming for exponential growth in innovative businesses. For real estate finance, the Group will also boost the operating capability of capital appreciably, raised the ratio of equity investments and overseas investments in order to double the scale of managed assets in the next few years and seek to approach both mainstream and alternative asset management platforms globally.

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

SINO-OCEAN 遠洋集團
Annual Report 2016

Financial Review

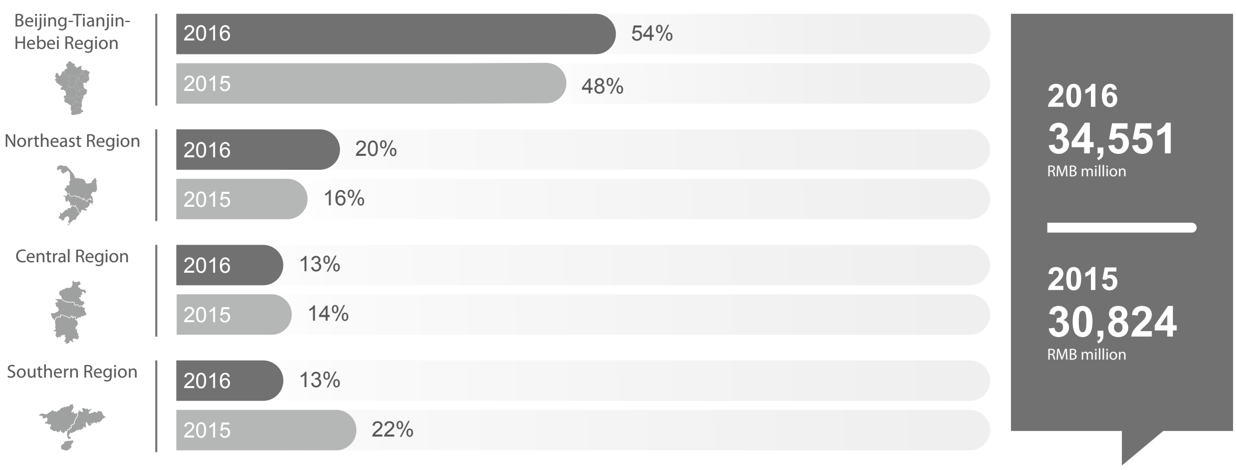
Upon completion of our re-branding in 2016, Sino-Ocean has become a group with its base in real estate development and developed related diversified business. We secure a leading position in major first and second-tier cities including Beijing, Tianjin, Dalian, Shanghai, Hangzhou, Shenzhen and Guangzhou. The Group will continue to stay focused on acquiring quality projects.

The Group's contracted sales amount for the year 2016 (including our joint ventures and associates) reached a record high of RMB50,380 million (2015: RMB40,537 million) with total saleable GFA sold of approximately 2,902,000 sq.m. (2015: 3,197,000 sq.m.). We recorded an increase in revenue of RMB3,727 million, or 12%, to RMB34,551 million (2015: RMB30,824 million). The profit attributable to owners of the Company significantly increased to RMB3,812 million (2015: RMB2,384 million), an increase of 60% as compared to 2015. Basic earnings per share increased accordingly by 74% to RMB0.493 (2015: RMB0.284).

· The components of the revenue are analyzed as follows:

(RMB million)	2016	2015	Change (%)
Property development	30,809	27,095	14%
Property investment	886	767	16%
Property management	899	819	10%
Other real estate related businesses	1,957	2,143	-9%
Total	34,551	30,824	12%

· Revenue contributions by geographical locations are analyzed below:



Revenue

The Group's revenue in 2016 increased by 12% to RMB34,551 million, from RMB30,824 million in 2015. Property development segment remained the largest contributor which accounted for about 89% of total revenue. Beijing as our home base accounted for approximately 46% (2015: 39%) of the Group's total revenue in 2016, amounting to RMB15,837 million (2015: RMB11,884 million). As we have developed a diversified portfolio of landbank, contributions from the other tier-one and tier-two cities remained stable. In 2016, contributions of revenue from cities including Dalian, Tianjin, Shanghai, Hangzhou and Zhongshan amounted to RMB15,187 million, accounting for approximately 44% of the total revenue (2015: 49%). We will persistently maintain a balanced project portfolio for mitigating the risk from single market fluctuations and enabling more effective usage of resources, allowing the Group to stay focused on our future development plan.

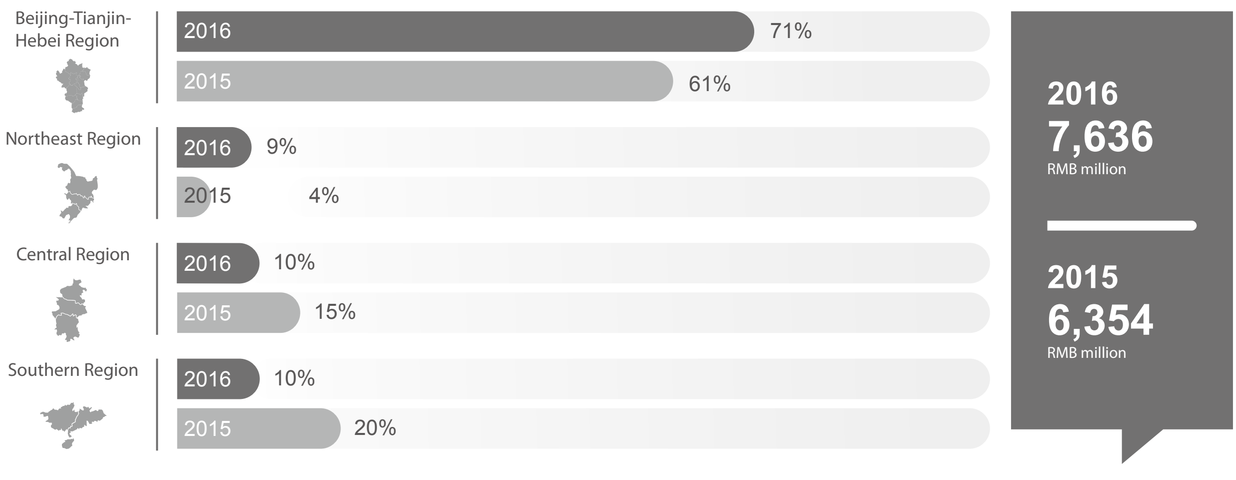
Cost of sales

The cost of property development, mainly comprising of land cost and construction cost, accounted for approximately 90% of the Group's total cost of sales in 2016 (2015: 90%).

Excluding car parks, average land cost per sq.m. of property development business in 2016 decreased slightly to approximately RMB3,400 compared to RMB3,800 in 2015, which was due to more properties delivered from recently acquired projects at relatively lower cost during market downward cycle. Average construction cost per sq.m. (excluding car parks) for property development business decreased to approximately RMB5,900 for the year, compared to RMB6,400 in 2015.

Gross profit

· Gross profit by geographical locations is analyzed below:



Gross profit for the year was RMB7,636 million, representing an increase of 20% compared to 2015. Gross profit margin increased to 22% (2015: 21%).

Interest and other income and losses, net

Interest and other income increased by 31% to RMB1,508 million in 2016, compared to RMB1,153 million in 2015. Such increase was mainly due to the increase in the overall interest income during the year.

The Group recorded other losses (net) of RMB86 million (2015: RMB735 million). Other losses (net) were mainly comprised of exchange losses and revaluation gains on certain financial assets 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 RMB1,763 million for 2016 (2015: RMB703 million).

Operating expenses

Selling and marketing expenses for 2016 dropped to RMB519 million (2015: RMB550 million). These costs accounted for only approximately 1.0% of the total contracted sales amount for 2016 (2015: 1.4%).

Administrative expenses incurred for 2016 increased to RMB988 million (2015: RMB851 million), representing 2.9% of the total revenue for 2016 (2015: 2.8%). 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 RMB818 million to be charged through consolidated income statement during the current year, compared to RMB701 million in 2015. Due to our cost control in borrowing costs, our weighted average interest rate decreased significantly to 5.38% in 2016 (2015: 6.25%), while total interest expenses paid or accrued amounted to RMB2,841 million (2015: RMB3,551 million).

Taxation

The aggregate of enterprise income tax and deferred tax increased by 15% to RMB2,275 million in 2016 (2015: RMB1,983 million), reflecting an effective tax rate of 34% (2015: 47%). The decrease in effective tax rate was due to less one-off items and other tax non-deductible expenses during the year. In addition, land appreciation tax in 2016 increased to RMB1,787 million (2015: RMB421 million) due to more deliveries of high gross profit margin projects during the year, such as Ocean LA VIE in Beijing.

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased significantly by 60% to RMB3,812 million in 2016, compared to RMB2,384 million in 2015. Excluding one-off items and fair value gains on investment properties, core profit amounted to RMB2,666 million, a decrease of 13% compared to RMB3,065 million in 2015 due to land appreciation tax of a high gross profit margin projects. Core profit margin decreased 2 percentage points to 8% (2015: 10%). Return on average equity stated at approximately 9% in 2016 (2015: 6%). Our management will continue to focus on the improvement of our shareholders' return as their on-going task.

Financial resources and liquidity

During 2016, 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 corporate bond of RMB4 billion in May 2016. By strictly controlling our total borrowing level, we recorded a decrease in total borrowings from RMB51,926 million to RMB43,810 million as at the year end of 2016, of which 43% 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 2016, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB22,341 million, remaining stable compared to the corresponding period in last year, of which 84% (2015: 85%) of the Group's cash resources were denominated in Renminbi with the remaining balances denominated in other currencies, and a current ratio of 1.72 times. Together with unutilized credit facilities of about RMB118,700 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 decreased by 15 percentage points to approximately 44% (2015: approximately 59%). Given that the Group still has cash resources of RMB22,341 million, we are satisfied with our current gearing position. Nevertheless, we expect the net gearing ratio to remain relatively stable in 2017 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 2016	As at 31 December 2015	Change (%)
Within 1 year	6,195	8,566	-28%
1 to 2 years	4,005	9,623	-58%
2 to 5 years	19,065	17,496	9%
Over 5 years	14,545	16,241	-10%
Total	43,810	51,926	-16%

Financial guarantees and charge on assets

As at 31 December 2016, the value of the guarantees provided by the Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB8,056 million (2015: RMB2,299 million).

In 2016, 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 RMB180 million (2015: RMB2,111 million) and long-term bank loans of RMB775 million (2015: RMB5,373 million). As at 31 December 2016, total pledged assets accounted for approximately 7% of the total assets of the Group (2015: 18%).

Capital commitments

The Group entered into certain agreements in respect of land acquisition and property development. As at 31 December 2016, the Group had a total capital commitment of RMB3,333 million (2015: RMB7,305 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 2016, the total amount of the aforesaid guarantees provided by the Group was RMB8,056 million (2015: RMB2,299 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 14% in 2016, amounting to RMB30,809 million (2015: RMB27,095 million). Saleable GFA delivered increased by 13% from approximately 2,058,000 sq.m. in 2015 to approximately 2,325,000 sq.m. in 2016. Excluding car parks sales, the average selling price recognized in 2016 was about RMB14,300 per sq.m. (2015: RMB14,600 per sq.m.).

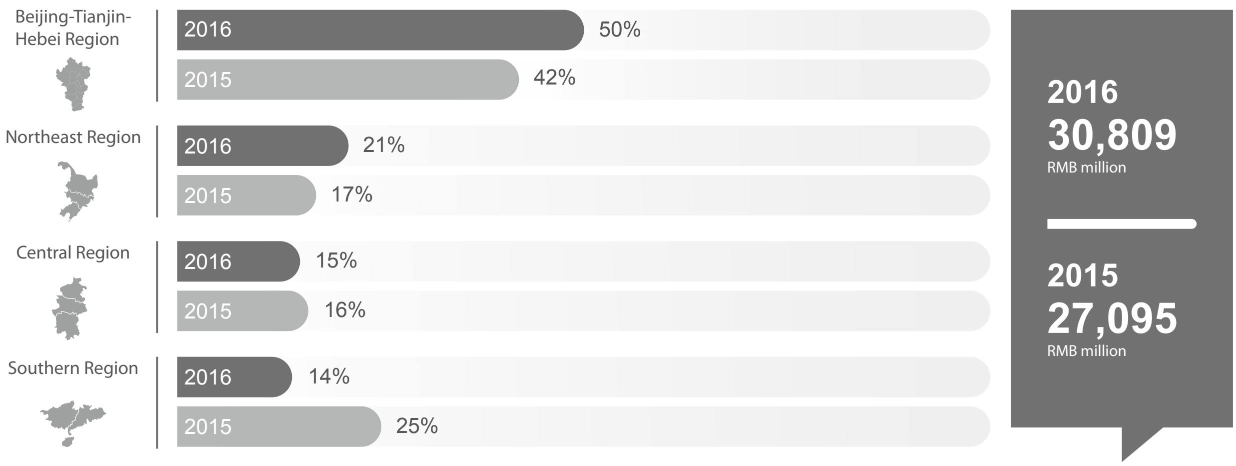
· Revenue and saleable GFA delivered from each project during 2016 are set out as follows:

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	1,096	14,641	74,900	100%
		Ocean LA VIE	5,017	63,029	79,600	85.72%
		Ocean Manor	28	1,397	20,000	100%
		Ocean Melody	1,497	34,124	43,900	100%
		Ocean Palace	3,811	107,430	35,500	100%
		POETRY OF RIVER	829	26,223	31,600	100%
	Tianjin	Ocean Chanson	612	61,971	9,900	100%
		Ocean City	1,624	193,341	8,400	100%
		Ocean Express	49	7,072	6,900	100%
		Ocean International Center	97	7,115	13,600	100%
		Ocean Prospect	88	8,782	10,000	100%
		Royal River	158	21,203	7,500	100%
			14,906	**546,328**	**27,300**	
Northeast Region	Dalian	Ocean Diamond Bay	1,485	139,784	10,600	100%
		Ocean Worldview	1,237	136,782	9,000	100%
		The Place of Glory	3,076	316,300	9,700	100%
	Shenyang	Ocean Paradise	9	1,325	6,800	100%
		Ocean Residence	19	3,569	5,300	100%
	Changchun	Ocean Cannes Town	532	70,131	7,600	100%
			6,358	**667,891**	**9,500**	

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	390	10,973	35,500	100%
		Ocean Mansion No. 7	31	1,814	17,100	100%
		Ocean Melody	1,561	78,066	20,000	100%
	Hangzhou	Ocean In Your Heart	20	1,355	14,800	100%
		Ocean Mansion	209	6,248	33,500	100%
		Canal Business Center Project	714	32,237	22,100	100%
	Nanjing	Ocean International Center	1,055	44,216	23,900	100%
	Huangshan	An Island Paradise	52	5,913	8,800	100%
	Qingdao	Ocean Prospect	2	90	22,200	100%
	Wuhan	Ocean World	299	54,456	5,500	55%
			4,333	**235,368**	**18,400**	
Southern Region	Shenzhen	Ocean Express	339	10,951	31,000	84.70%
	Zhongshan	Ocean Aromas	567	106,225	5,300	51%
		Ocean Bloom	717	154,387	4,600	51%
		Ocean City	118	24,304	4,900	100%
		Ocean Emerald	599	128,136	4,700	51%
		Ocean Magic City	638	110,160	5,800	51%
		Ocean New Era	15	1,476	10,200	100%
		The Place	425	72,790	5,800	50%
	Haikou	Ocean Zen House	143	13,116	10,900	100%
	Sanya	Mountain Creek	692	21,950	31,500	98.27%
			4,253	**643,495**	**6,600**	
Subtotal			29,850	2,093,082	14,300	
Car Parks (various projects)			959	231,745	4,100	
Total			**30,809**	**2,324,827**	**13,300**	

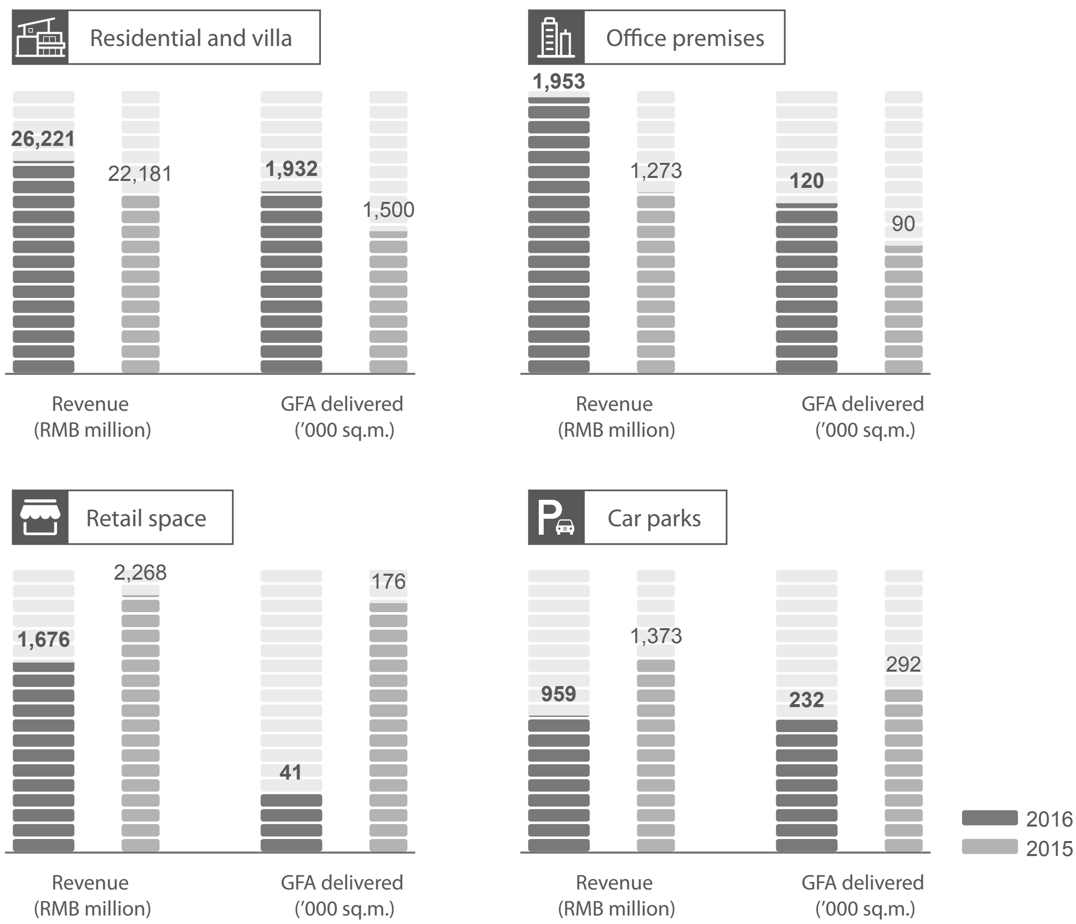
During 2016, Beijing remained the largest contributor which accounted for 41% of total revenue from property development (2015: 32%). Meanwhile, contributions from cities including Dalian, Tianjin, Shanghai, Nanjing and Zhongshan, accounted for 47% (2015: 43%) of revenue from property development during 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 85% in 2016 (2015: 82%). The average selling price recognized for the revenue from residential properties (including villa) in 2016 was approximately RMB13,600 per sq.m. (2015: RMB14,800 per sq.m.) while corresponding total saleable GFA delivered increased by 29% from approximately 1,500,000 sq.m. in 2015 to approximately 1,932,000 sq.m. in 2016.

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



Contracted sales

Our contracted sales (including our joint ventures and associates) in 2016 amounted to a record high of RMB50,380 million, representing a 24% increase compared to RMB40,537 million in 2015. The average selling price (excluding car parks) increased by 29% to RMB17,900 per sq.m. (2015: RMB13,900 per sq.m.). The average selling price (including car parks) increased by 37% to RMB17,400 per sq.m. (2015: RMB12,700 per sq.m.).

· The contracted sales amounts and saleable GFA sold by projects in 2016 are set out below:

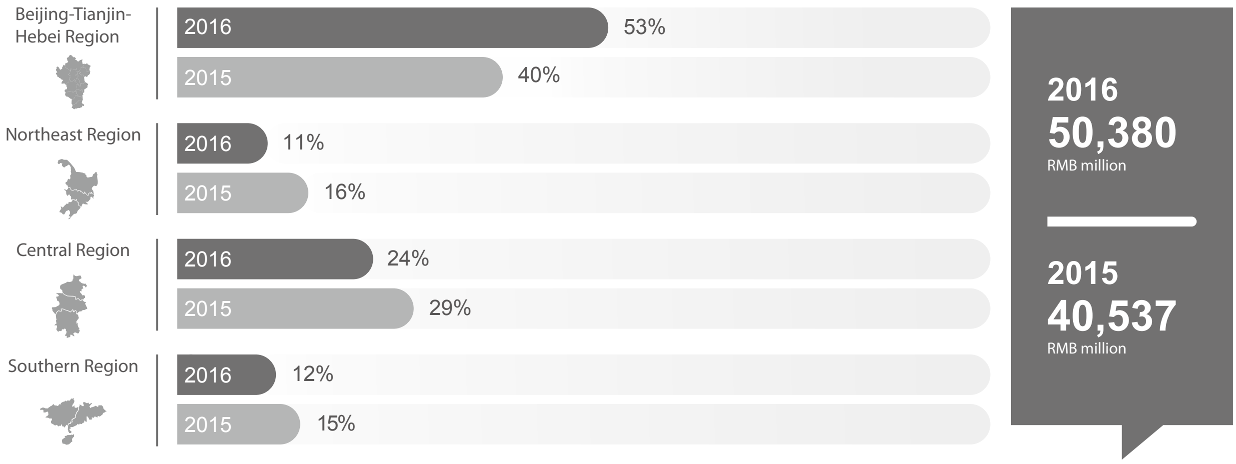
Region	Cities	Projects	Contracted sales amount (RMB Million)	Saleable GFA Sold (sq.m)	Average selling price (RMB/sq.m.)	Interest attributable to the Group (%)
Beijing-Tianjin-Hebei Region	Beijing	Ocean Crown	197	3,800	51,800	100%
		Ocean Epoch	4,584	59,800	76,700	67.50%
		Ocean LA VIE	2,398	40,400	59,400	85.72%
		Ocean Manor	271	5,700	47,500	100%
		Ocean Melody	78	2,100	37,100	100%
		Ocean Metropolis	2,599	69,800	37,200	75%
		Ocean Palace	1,823	51,900	35,100	100%
		26 Block	3,103	112,800	27,500	100%
		Core Center Plot, Tongzhou District	5,631	194,800	28,900	50%
		External Scenery	105	6,200	16,900	50%
		Our New World	694	22,000	31,500	100%
		POETRY OF RIVER	138	5,400	25,600	100%
	Tianjin	Ocean Chanson	415	28,200	14,700	100%
		Ocean City	1,861	183,700	10,100	100%
		Ocean Express	54	7,800	6,900	100%
		Ocean Great Harmony	1	100	10,000	100%
		Ocean International Center	666	42,300	15,700	100%
		Ocean Inside	1,229	87,900	14,000	55%
		Ocean Prospect	144	9,200	15,700	100%
		Royal River	407	41,000	9,900	100%
		Yixingbu Project, Beichen District	43	3,900	11,000	51%
			26,441	**978,800**	**27,000**	

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	Ocean Diamond Bay	1,200	111,400	10,800	100%
		Ocean Worldview	653	82,700	7,900	100%
		The Place of Glory	1,546	135,800	11,400	100%
	Shenyang	Ocean Paradise	19	3,500	5,400	100%
		Ocean Residence	20	2,400	8,300	100%
		Grand Canal Milestone	1,000	76,300	13,100	15%
	Changchun	Ocean Cannes Town	647	75,600	8,600	100%
			5,085	**487,700**	**10,400**	
Central Region	Shanghai	Ocean Fortune Center	200	6,500	30,800	100%
		Ocean Mansion No. 7	100	8,900	11,200	100%
		Ocean Melody	2,408	107,000	22,500	100%
		Chongming Dongtan Project	1,206	47,500	25,400	13.54%
	Hangzhou	Ocean Chanson	877	63,000	13,900	51%
		Ocean In Your Heart	31	600	51,700	100%
		Ocean Mansion	92	2,200	41,800	100%
		Ocean Melody	699	29,500	23,700	100%
		Canal Business Center Project	793	60,400	13,100	100%
	Nanjing	Ocean International Center	1,200	43,100	27,800	100%
		Sino-Ocean Land Greenland Premier Court	303	16,200	18,700	50%
	Huangshan	An Island Paradise	10	1,500	6,700	100%
	Qingdao	Ocean Melody	520	56,900	9,100	100%
	Wuhan	Ocean World	934	150,300	6,200	55%
		Hejiadun Project	1,896	157,800	12,000	38%
			11,269	**751,400**	**15,000**	

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	100	40,000	84.70%
	Guangzhou	Elite Palace	2,586	81,800	31,600	30%
	Zhongshan	Ocean Aromas	114	20,900	5,500	51%
		Ocean Bloom	335	63,100	5,300	51%
		Ocean City	300	28,900	10,400	100%
		Ocean Emernal	645	114,500	5,600	51%
		Ocean Magic City	184	23,000	8,000	51%
	Haikou	Ocean Zen House	330	28,800	11,500	100%
	Sanya	Mountain Creek	907	22,800	39,800	98.27%
	Chongqing	Sino-Ocean International GOLF Resort	275	19,400	14,200	42.25%
		Gaomiao Plot, Jiulongpo District	792	131,500	6,000	37.71%
			6,472	**534,800**	**12,100**	
Subtotal			49,267	2,752,700	17,900	
Other joint venture projects			807	52,200	15,500	
Subtotal (excluding car parks)			50,074	2,804,900	17,900	
Car parks(various projects)			306	97,100	3,200	
Total			**50,380**	**2,902,000**	**17,400**	

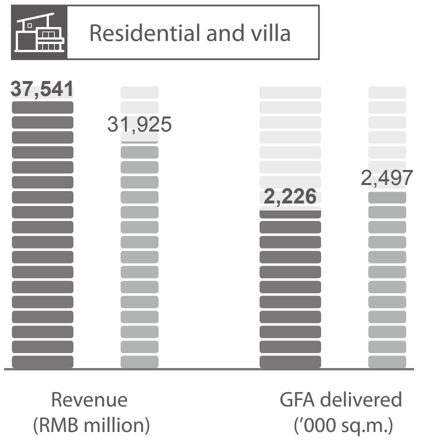
In terms of geographical distribution, there were over 60 projects available for sale during 2016 (2015: over 50 projects). Contracted sales from first and second-tier cities accounted for over 90% (2015: over 90%). As at 31 December 2016, the Group's unbooked contracted sales to be recognized amounted to RMB54,700 million, providing a strong and solid foundation for the Group's future revenue growth.

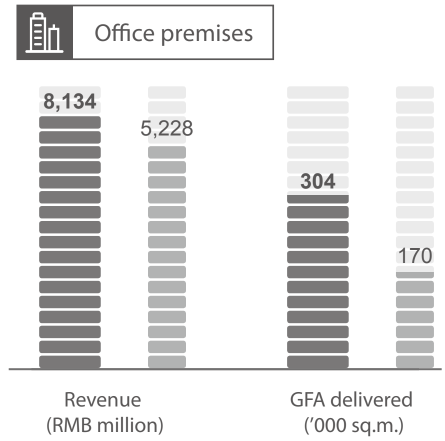
· Contracted sales amounts by geographical locations are analyzed below:

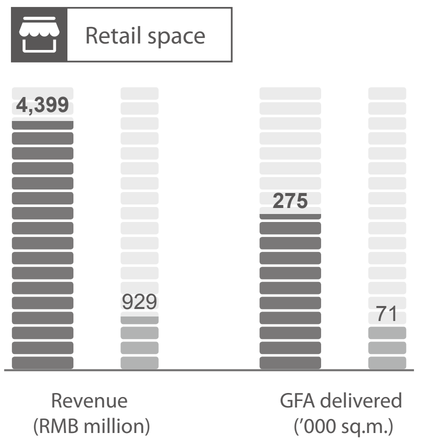


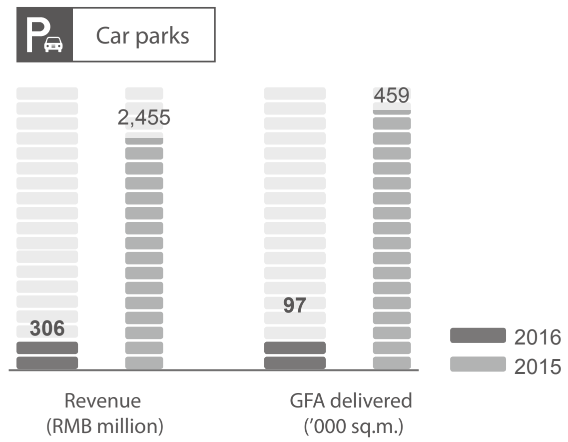
In terms of property types, residential properties (including villa) continued to contribute the largest portion of contracted sales amount and accounted for 75% in 2016 (2015: 79%). The average selling price for residential properties (including villa) in 2016 was approximately RMB16,900 per sq.m. (2015: about RMB12,800 per sq.m.) while the total GFA sold for residential use decreased by 11% from approximately 2,497,000 sq.m. in 2015 to approximately 2,226,000 sq.m. in 2016.

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









Construction Progress and Developing Projects

Total GFA and total saleable GFA completed in 2016 were approximately 3,087,900 sq.m. and 2,525,500 sq.m., increasing by 17% and 31% respectively as compared to that in 2015. We will maintain our construction scale in order to have enough GFA available for sale and for delivery to support our growth in 2017.

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

Region	Cities	Projects	GFA completed in 2016 (sq.m.)	Targeted GFA to be completed in 2017 (sq.m.)
Beijing-Tianjin-Hebei Region	Beijing	Ocean Crown	–	29,400
		Ocean Epoch	–	42,100
		Ocean LA VIE	62,200	10,200
		Ocean Manor	48,200	48,200
		Ocean Melody	54,900	–
		Ocean Metropolis	57,000	111,900
		Ocean Palace	184,100	5,600
		Our New World	–	105,800
		Enternal Scenery	–	43,300
		Happy Garden	94,500	195,100
	Tianjin	Ocean Chanson	120,100	83,900
		Ocean City	342,000	121,100
		Ocean International Center	–	151,900
		Ocean Inside	–	163,300
			963,000	**1,111,800**
Northeast Region	Dalian	Ocean Diamond Bay	145,300	263,000
		Ocean Worldview	227,400	69,700
		The Place of Glory	403,100	149,700
	Changchun	Ocean Cannes Town	62,600	301,300
			838,400	**783,700**

Region	Cities	Projects	GFA completed in 2016 (sq.m.)	Targeted GFA to be completed in 2017 (sq.m.)
Central Region	Shanghai	Ocean Fortune Center	59,300	–
		Ocean Melody	107,600	107,300
		Chongming Dongtan Project	–	44,600
	Hangzhou	Canal Business Center Project	100,000	170,500
		Ocean Chanson	–	101,700
		Ocean Melody	–	57,300
	Nanjing	Sino-Ocean Land Greenland Premier Court	–	69,800
	Qingdao	Ocean Melody	–	109,400
	Wuhan	Ocean Worldview	59,800	178,100
		Hejiadun Project	–	302,900
			326,700	**1,141,600**
Southern Region	Shenzhen	Ocean Express	–	189,000
	Guangzhou	Ehte Palace	–	76,200
	Zhongshan	Ocean Aromas	141,300	–
		Ocean Bloom	197,300	–
		Ocean Emerald	169,200	–
		Ocean Magic City	168,200	168,000
		The Place	225,700	–
	Haikou	Ocean Zen House	58,100	58,100
	Chongqing	Sino-Ocean International GOLF Resort	–	61,800
		Gaomiao Plot, Jiulongpo District	–	89,500
			959,800	**642,600**
Total			**3,087,900**	**3,679,700**

Landbank

The Group's landbank increased by 9% to approximately 21,699,000 sq.m. in 2016 (2015: 19,921,000 sq.m.); while landbank with attributable interest decreased by 5% to 13,746,000 sq.m. (2015: 14,545,000 sq.m.). In 2016, we acquired 17 plots of land and 2 matured projects. Total GFA and attributable interest GFA of the newly acquired land plots were 4,671,000 sq.m. and 1,447,000 sq.m. respectively, with average acquisition cost per sq.m. of RMB6,200. The average land cost per sq.m. for our landbank as at 31 December 2016 was approximately RMB4,700 (2015: RMB3,400).

· Details of the newly acquired land plots during 2016 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	Eternal Scenery	482	241	50%
Beijing	Lize Business District Project	441	76	17.25%
Beijing	Xiang He Wan Run Project	269	54	20%
Beijing	Yizhuang Motor Tower Project	67	67	100%
Tianjin	Haihe Jiaoyuyuan Plot 13	227	75	33%
Tianjin	Haihe Jiaoyuyuan Plot 14	285	71	25%
Shenyang	Grand Canal Milestone	382	57	15%
Shanghai	Chongming Dongtan Project	1,072	145	13.54%
Shanghai	Jinyi Project	24	24	100%
Hangzhou	Natural Masterpiece	145	73	50%
Shenzhen	Lishan Project	171	87	51%
Shenzhen	Long Chuan Tang Project	115	92	80%
Guangzhou	Honoka Project in Baiyun District	285	47	16.66%
Zhongshan	Da Xin Rong Jia Project	103	25	25%
Zhongshan	Jin Ma You Yi Chang Project	91	13	15%
Sanya	Mountain Creek	177	174	98.27%
Chongqing	Jiuquhe Plot 2 of Yubei District	335	126	37.71%
Subtotal		4,671	1,447	
Matured Projects				
Shanghai	East Ocean Centre	63	32	50%
Shanghai	Ke En Project	31	9	30%
Subtotal		94	41	
Total		**4,765**	**1,488**	

· The landbank by stages of development as at 31 December 2016 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	19,366	14,364	6,867
Properties under development	9,327	8,251	9,327
Properties held for future development	5,505	4,763	5,505
Total	**34,198**	**27,378**	**21,699**

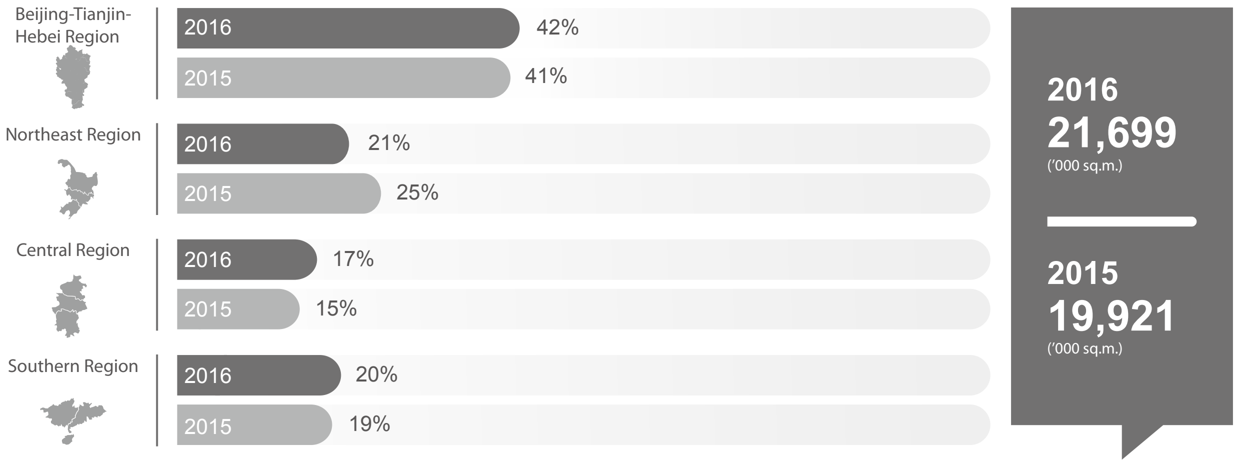
· The Group's landbank details as at 31 December 2016 are set out as follows:

Region	Cities	Projects	Approximate total GFA ('000 sq.m.)	Approximate total saleable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
Beijing-Tianjin-Hebei Region	Beijing	26 Block	79	79	79	100%
		CBD Plot Z6	241	185	241	100%
		CBD Plot Z13	162	126	162	10%
		Changping Sci-tech Park F2 Project	256	193	251	50%
		Core Center Plot, Tongzhou District	479	334	479	50%
		Eternal Scenery	482	341	482	50%
		Happy Garden	195	163	164	30%
		Lize Business District Project	441	331	441	17.25%
		Mizhiyun Project	80	71	42	90%
		Nanfaxin Project, Shunyi District	277	206	277	23%
		Ocean Crown	224	197	11	100%
		Ocean Epoch	264	198	264	67.50%
		Ocean LA VIE	318	305	116	85.72%
		Ocean Manor	194	177	7	100%
		Ocean Melody	55	50	9	100%
		Ocean Metropolis	330	276	330	75%
		Ocean Palace	436	383	109	100%
		Our New World	109	91	109	100%
		Plot 6002, Mentougou, New Town	125	97	125	21%
		Xiang He Wan Run project	269	180	269	20%
		Xiji Plot C, Tongzhou District	221	170	221	30%
		Yizhuang Motor Tower Project	67	41	67	100%
	Tianjin	Haihe Jiaoyuyuan Plot 14	285	194	285	25%
		Haihe Jiaoyuyuan Plot 13	227	171	227	33%
		Ocean Chanson	204	199	141	100%
		Ocean City	2,137	1,683	657	100%
		Ocean Express	335	288	10	100%
		Ocean Great Harmony	350	290	50	100%
		Ocean International Center	321	200	178	100%
		Ocean Inside	183	176	183	55%
		Ocean Prospect	321	309	53	100%
		Royal River	349	333	257	100%
		Yixingbu Project, Beichen District	3,034	2,614	3,003	51%
			13,050	**10,651**	**9,299**	

Region	Cities	Projects	Approximate total GFA ('000 sq.m.)	Approximate total saleable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
Northeast Region	Dalian	The Place of Glory	925	875	547	100%
		Ocean Diamond Bay	2,046	1,746	1,341	100%
		Ocean Worldview	1,903	1,645	368	100%
		Sino-Ocean Technopole	922	540	922	100%
		Xiaoyao Bay Project	219	175	219	100%
		Zhonghua Road Plot #2	111	52	111	100%
	Shenyang	Grand Canal Milestone	382	257	382	15%
		Ocean Paradise	713	695	17	100%
	Changchun	Ocean Cannes Town	1,237	898	674	100%
			8,458	**6,883**	**4,581**	
Central Region	Shanghai	Chongming Dongtan Project	1,072	672	1,072	13.54%
		Jinyi Project	24	–	24	100%
		Ocean Fortune Center	59	45	44	100%
		Ocean Mansion No. 7	117	110	21	100%
		Ocean Melody	312	279	225	100%
	Hangzhou	Canal Business Center Project	609	153	461	100%
		Natural Masterpiece	145	99	145	50%
		Ocean Chanson	98	72	98	51%
		Ocean In Your Heart	171	109	3	100%
		Ocean Melody	58	39	58	100%
	Nanjing	Ocean International Center	147	116	89	100%
		Sino-Ocean Land GreenlandPremier Court	71	67	71	50%
	Huangshan	An Island Paradise	155	154	89	100%
	Qingdao	Ocean Melody	109	107	109	100%
		Ocean Seasons	146	132	17	100%
	Wuhan	Hejiadun Project	1,020	971	1,020	38%
		Ocean World	398	369	274	55%
			4,711	**3,494**	**3,820**	

Region	Cities	Projects	Approximate total GFA ('000 sq.m.)	Approximate total saleable GFA ('000 sq.m.)	Remaining landbank ('000 sq.m.)	Interest attributable to the Group (%)
Southern Region	Shenzhen	Lishan Project	171	120	67	51%
		Long Chuan Tang Project	115	52	115	80%
		Ocean Express	556	437	354	84.70%
		Ocean Metropolis	390	292	377	85%
	Guangzhou	Elite Palace	310	279	310	30%
		Honoka Project in Baiyun District	285	198	285	16.66%
	Zhongshan	Da Xin Rong Jia Project	103	78	103	25%
		Jin Ma You Yi Chang Project	91	66	91	15%
		The Place	226	148	226	50%
		Ocean Aroma	141	125	17	51%
		Ocean Bloom	200	189	35	51%
		Ocean City	2,083	1,735	114	100%
		Ocean Emerald	437	412	301	51%
		Ocean Magic City	170	160	53	51%
		Ocean New Era	515	494	3	100%
	Hong Kong	LOHAS Park Package 6, Tseung Kwan O	137	136	137	40%
	Haikou	Ocean Zen House	117	106	77	100%
	Sanya	Mountain Creek	177	111	142	98.27%
	Chongqing	Gaomiao Plot, Jiulongpo District	126	125	126	37.31%
		Gaomiao Project, Phase II, Jiulongpo District	285	213	285	37.31%
		Jiuquhe Plot 2 of Yubei District	335	246	335	37.71%
		Sino-Ocean International GOLF Resort	592	480	244	42.25%
	Chengdu	Sino-Ocean Taikoo Li Chengdu	417	148	202	50%
			7,979	**6,350**	**3,999**	
Total			**34,198**	**27,378**	**21,699**	

· The landbank by geographical locations as at 31 December 2016 and 2015 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 2016, revenue from property investment increased by 16% to RMB886 million (2015: RMB767 million). As at 31 December 2016, the Group held 10 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 833,000 sq.m.

· List of our investment properties as at 31 December 2016 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 2016 (%)	Interest attributable to the Group (%)
Ocean Plaza (Beijing)	30,000	26,000	–	4,000	100%	72%
Ocean International Center Block A (Beijing)	101,000	75,000	9,000	17,000	92%	100%
Ocean Office Park (Beijing)	127,000	81,000	22,000	24,000	90%	100%
Ocean We-life Plaza (Beijing)	31,000	–	31,000	–	98%	100%
Ocean We-life Plaza (Tianjin)	41,000	–	41,000	–	93%	100%
North Carolina Project (USA)	12,000	12,000	–	–	89%	70%
Other projects	77,000	3,000	59,000	15,000	90%	99%
Sub-total	419,000	197,000	162,000	60,000		
Other						
INDIGO (Beijing)	176,000	49,000	71,000	56,000	94%	50%
Ocean International Center, Phase II (Beijing)	77,000	47,000	19,000	11,000	95%	35%
East Ocean Center (Shanghai)	62,000	43,000	7,000	12,000	96%	50%
Sino-Ocean Taikoo Li Chengdu (Chengdu)	99,000	–	82,000	17,000	91%	50%
Total	**833,000**	**336,000**	**341,000**	**156,000**		

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 of 31 December 2016, revenue from property investment amounted to RMB886 million. The Group currently has 10 operating investment properties. During 2016, we newly acquired East Ocean Center in Shanghai and North Carolina Project in USA which added resources to our high-end and well-developed office premise portfolio.

We now have approximately 833,000 sq.m. commercial real estate resources in operation, with office developments and commercial complexes and car parks accounting for about 40% and 60% respectively. In addition, we have approximately 2,000,000 sq.m. commercial property resources pending for development and operation by stages between 2017 and 2020. These include offices in Beijing CBD, shopping centers in Beijing Tongzhou district, commercial complex in Hangzhou Grand Canal 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 2016, the Group's revenue from property management services amounted to RMB899 million, representing an increase of 10% compared to RMB819 million in 2015. A total GFA of 18,509,000 sq.m. (2015: 16,158,000 sq.m.) was subject to the Group's property management fee, representing an increase of 2,351,000 sq.m.

Ocean Homeplus Property Service Corporation Limited has been officially listed on the National Equities Exchange and Quotations System and aimed at raising the property management service quality and efficiency.

Other Information

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

In 2016, 57% 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 5.1(a)(i) to the consolidated financial statements of this annual report.

Employees and Human Resources

As at 31 December 2016, the Group had 8,340 employees (31 December 2015: 7,143 employees). Both manpower effectiveness and control capability of the Group had been strengthened during the year.

During 2016, taking into account the amortization of share options, the level of our overall staff cost was approximately RMB1,687 million (2015: RMB1,257 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

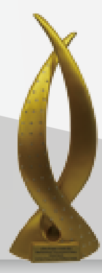
Overseas awards received in the financial year 2016

Award received: **2015 Top 100 HKAwards — Top 100 Comprehensive Strength Companies**
Time of award: February 2016
Issuing organisation: Co-organised by QQ.com and Finet

Award received: **The Listed Enterprise Excellence Awards 2016 — Excellent Performance**
Time of award: November 2016
Issuing organisation: Capital Weekly

Award received: **Listed Enterprises of the Year 2016**
Time of award: November 2016
Issuing organisation: Bloomberg Businessweek/Chinese Edition

Award received: **Best Investment Value Award for Listed Companies 2016**
Time of award: December 2016
Issuing organisation: Co-established by various financial servicing institutions in Hong Kong, including compliance agencies, financial public relations firms, financial media and accounting firms.



Award received: **Sino-Ocean Group was awarded: China Property Awards 2016 — Best Developer (China) Ocean Epoch, Beijing was awarded: China Property Awards 2016 — Best Residential Development (Beijing)**
Time of award: December 2016
Issuing organisation: Property Guru Group

Domestic awards received in the financial year 2016

Award received: **China Peaceful Community Union Council Member**
Time of award: December 2016
Issuing organisation: Xinhuanet and China Peaceful Community Union

Award received: **The Most Valuable Listed Real Estate Enterprise of China for 2016**
Time of award: August 2016
Issuing organisation: Boao Real Estate Forum Committee

Award received: **Sina Leju Brand Influence Award for 2016**
Time of award: December 2016
Issuing organisation: Leju Annual Innovative Summit

Award received: **2016 Top 10 China Green Real Estate Developers**
Time of award: July 2016
Issuing organisation: Biaozhun

Award received: **The 13th (2016) China Blue Chip Real Estate Developer**
Time of award: December 2016
Issuing organisation: The Economic Observer

Award received: **China Top Green Building — Top 30 Most Competitive Enterprises for 2016**
Time of award: December 2016
Issuing organisation: China International Real Estate & Architectural Technology Fair, China Real Estate Business, Green Building Alliance

Award received: **The Billboard of the Most Valuable Real Estate Enterprises of China for 2016 — the Most Valuable Real Estate Enterprise of the Year**
Time of award: December 2016
Issuing organisation: National Business Daily

Award received: **2016 China Real Estate Annual Red List — Green Innovative Real Estate Enterprise of the Year**
Time of award: December 2016
Issuing organisation: China Internet News Center, House.china.com.cn

Award received: **China WELL Building Making Enterprise for 2016**
Time of award: September 2016
Issuing organisation: China Real Estate Chamber of Commerce, China Real Estate Business

Award received: **2016 Annual Meeting of China's Commercial Property Committee — Excellent Company**
Time of award: December 2016
Issuing organisation: The Economic Observer

INVESTOR RELATIONS

The Company adheres to the best practice in information disclosure in terms of accuracy, transparency and consistency. We are committed to maintaining the most effective communication with the financial community and other stakeholders in a sincere and honest manner. Our goals are to deepen investors' understanding and approval of the Company's strategies, lift up internal management proficiency and maximize the Company's value.

Promoting confidence through constant communication

In 2016, the real estate market climbed rapidly as sales reached new high and de-stocking yielded visible results. The buoyant market brought a new round of policy restrictions to popular cities and the industry gradually stabilized as the new year began.

In view of the changing macro environment and industry, we responded swiftly and maintained continuous communication with our investors. We provided investors with thorough introduction of our business in all aspects, including property development, investment property development, customer service business, real estate finance, etc, all of which are guided by the Group's fourth phase of strategic development. Through efficient communication, we demonstrated our confidence in delivering quality performance as the Company intensified strategic changes and completed regional location re-adjustment.

In 2016 the Company hosted the 2015 annual results and 2016 interim results briefings, attracting some 300 individuals from the financial community to attend. Subsequently representatives from the management and the IR team hosted road shows in Hong Kong, Singapore, Beijing, Shanghai and Shenzhen, meeting over 100 funds and other interested parties. The road shows received positive feedback all round and reinforced understanding and trust between the Company's management and the capital market.

Besides road shows, the Company also actively generated other opportunities to meet investors. On the one hand we attended investors' conferences in Beijing, Shanghai, Shenzhen, Hong Kong, Singapore and Japan organized by 12 securities firms. We also had in-depth and one-on-one discussions with nearly 300 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 met with some 50 funds and securities firms in China. We also entertained more than 200 interested individuals at over 80 project site visits.

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

Active response through more channels

We maintained our high standards in information disclosure in 2016 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 and newly acquired land bank on the website of the Stock Exchange and investors groups to boost transparency and to ensure proper and fair access to relevant data by all parties in the capital market.

In 2016, we hosted two reverse road shows. In June, we hosted the sell-side's analysts' reverse road shows in Guangzhou and Shenzhen, attracting some 15 securities firms to attend. The event presented to the capital market the Company's business location planning and potential in Southern Region, as well as the benefits of WELL living standards. In October, we hosted the buy-side's and sell-side's analysts' reverse road shows in Shanghai and Hangzhou, presenting to analysts and investors from 17 institutions the Company's influence in Central Region as a result of years of deep cultivation, as well as performance of our investment properties. The event was met with very positive feedback.

We enjoyed coverage from 26 securities firms in 2016, over 90% of which, including Goldman Sachs, Citi, HSBC, UBS, BOCI, China International Capital Corporation, Nomura, Mizuho and SWS Research rated Sino-Ocean Group as 'out-performed the market', 'buy' or 'hold'.

We listened carefully to our shareholders' concerns and addressed them. After each annual general meeting, management representatives would always allow time to speak with retail shareholders, ensuring all present were given opportunity to discuss the issues that they care about with our representatives.

In May 2016, nearly 250 shareholders and relevant parties attended our annual general meeting and as always management representatives talked directly with retail shareholders and answered their questions after the meeting.

We will continue with our efforts to gain more coverage and recommendations by securities firms; to encourage investors' approval, confidence and loyalty and to protect their interest. We are grateful to all stakeholders for their remarkable support. If you have questions or comments about 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").

2016 Investor relations activities

Feb

- 13th Annual Citi Asia Pacific Investor Conference

Mar

- 2015 Annual results and post-results roadshows

Apr

- UBS HK China property conference
- DBS Pulse of Asia Conference
- HSBC 6th Annual Greater China Property Conference

May

- Macquarie Greater China Conference
- CIMB HK/China Property Corporate Day
- 7th Annual dbAccess Asia Conference

Jun

- J.P. Morgan 12th Annual Global China Summit
- Citi's Asia Pacific Property Conference
- Analysts' reverse roadshows in Guangzhou and Shenzhen

Aug

- 2016 Interim results and post-results roadshows

Sep

- Nomura China Investor Forum
- Mizuho Investment Conference

Oct

- Analysts' reverse roadshows in Shanghai and Hangzhou

Nov

- Credit Suisse 7th Annual China Investment Conference

Dec

- Non-deal roadshow in Hong Kong

SUSTAINABILITY REPORT

SINO-OCEAN 遠洋集團
Annual Report 2016

2016 is a monumental year and a landmark in the development of the Group's social responsibility commitments. Under the annual theme of "New Venture — Timely Changes", we have improved our operations and management and fulfilled our corporate social responsibility with professionalism, joining forces with our stakeholders to implement further upgrades, streamlining and planning in connection with our regime for sustainable development. During the year past, our "Corporate Social Responsibility Report 2015", being the 6th social responsibility report published by us, received the highest 5-star rating in an evaluation exercise undertaken by the Chinese Academy of Social Sciences, underpinning our outstanding ability in the administration and practice of social responsibilities. This year, we elected to become a pioneer in healthy construction work in China, leading the way in and showcasing the importance of healthy practices as we ushered in the "Era of Healthy Life".

Healthy Construction

In 2016, we 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. We pioneered in the introduction of WELL, a buildings standards of United States, the world's first building assessment system based on factors in human health and comfort. Under WELL standards, buildings are evaluated and certified through medical research and experiments according to 105 measurable indicators under 7 aspects affecting the well-being of 11 human body systems, with the aim of encouraging the construction of buildings that are more conducive to healthy lifestyles.

At the "Green Life Summit of China 2016" (2016中國綠色生活高峰論壇) hosted by Biaozhun Ranking (標準排名) and Wanfang Investment (萬房投資) in Beijing on 29 July 2016, Sino-Ocean Group was awarded the 2nd ranking among the "TOP10 Green Property Developers (Commercial Properties) of China 2016" and 7th ranking among the "TOP30 Green Property Developers of China 2016" named by Biaozhun Ranking for its meticulous work in green building and vigorous promotion of the WELL building standards.

Engineering Management

In line with our guiding principle in management, namely, to "exercise stringent control over processes, procure proper delivery and swiftly enhance customer satisfaction", we sought to implement the principal working requirements of "ongoing upgrade gauged by real-time testing, swift improvement in deliverables and continuous safety risk control" in our project work management. Through the formulation and revision of 26 sets of specific regulations and standards under 3 categories — scheme planning, quality control and safety management — aimed at efficiency enhancement based on customers' requirements, further improvements have been made to our project work management in terms of professionalism and standardisation.

A comprehensive safety management system with the objective of prioritising safety and dealing with safety issues in a consolidated preventive approach has been developed under the principles of "well-defined accountability and rigorous supervision". In 2016, the Group continued to show improvements in overall safety management capabilities, as it registered the first 100% passing rate in joint inspections (including assessments by independent third parties) and zero work-related fatality for the second consecutive year. Our stringent compliance with management principles has afforded rigorous assurance to the stability of our operating environment.

Environmental Protection

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 our 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. Meanwhile, an environmental charity project known as "Healthy Office with Green Footprints" was launched in 2016, 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 2016, we added certain iconic projects into our green building portfolio, namely Beijing Metropolis (1-star), Beijing New World (1-star), Ocean Epoch Phase I (2-star, WELL Pre-certification), Ocean Plaza (LEED Gold), Beijing Ocean International Center Block A (LEED Gold), Ocean Office Park (Beijing) (LEED Platinum), Z13 site project (LEED Gold) and Canal Business Center Project (Hangzhou) (LEED Gold, WELL Pre-certification) and Grand Canal Milestone (Shenyang) (WELL pre-certification). Those certifications demonstrated our efforts in implementing green building.

People's Livelihood Project

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.

Customer Campaigns

The Group makes every effort to promote healthy lifestyles, quality life, amicable neighbor relations and mutual respect in its developments. Vigorous work has been done to improve the cultural facilities, such as the construction of community cultural activity halls, to ensure the availability of necessary physical setup. Cultural and sporting groups such as calligraphy class, Tai Qi class and vocal ensemble have been formed in the communities and regular programmes have been organised with the assistance of professional instructors and appropriate equipment. In 2016, Ocean Homeplus, our property management arm, organised some 600 events in culture, sports, charity and daily service with an aggregate cost of over RMB1.70 million, serving close to 100,000 owner-participants.

Organisational Development

The Group has been named among the "Top 100 Best Employers in China" nominated by zhaopin.com (智聯招聘) for 2 consecutive years, underlining its powerful brand influence as an employer in terms of 6 key dimensions: corporate image, organisational management, brand strategy, training and development, remuneration, and work environment.

The Group recruited 2,894 new employees in 2016, including 19 employees with disabilities. Total staff headcount (excluding security and cleaning staffs) was 7,563 with an average age of 34.6.

We are committed to developing ourselves into a learning-oriented organisation. On top of the lecture-based learning regime comprising the traditional "Captains' Training Camp", "Set-sail Training Camp" and "Seafarers' Training Camp", the Group launched the "iShare" brand for learning in 2016. Leveraging latest mobile Internet technologies, this initiative enables employees to learn and share anytime, anywhere during spare moments and facilitates horizontal exchanges among different business formats and specialisations. In 2016, the Group completed a total of 329,444 hours in staff training.

In addition to statutory allowances and insurance, we also provide caring benefits, such as nutritious breakfast and lunch meals, Mid-Autumn gratuity as a token to thank staff families for their support, supplementary commercial insurance providing further coverage for staff health and annual medical check-ups, to show our care for staff in all aspects. We provide various types of nationally required social insurance to employees in accordance with the laws, in addition to annual medical check-ups.

Civic Responsibilities

We fulfill our social and civic responsibility primarily through "Sino-Ocean Charity Foundation", established and funded by the Group 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 our partners and us.

In 2016, the Foundation introduced an innovative model for supportive education through music, whereby charity resources were consolidated to enable the delivery of a variety of exemplary micro-charity projects through positive approaches. These solid campaigns have brought into full play our values in charity, namely, "micro-charity, co-participation and co-sustainability".

Our "Little Partner Education Sponsorship Scheme" covers the entire course of education from primary school to university. Meanwhile, we continued to make contributions to the preservation and development of ethnic minority cultural heritage, as the Foundation commenced the project for the Geriletu Ethnic Education Base in Inner Mongolia in 2016, in addition to the ongoing construction of the Beichuan Jiang Ethnic Group Education Base in Sichuan and the Hunan Jiangyong Nüshu (Ladies' Written Language) Education Base.

In 2016, we hosted the 3rd "Love for Singing" charity series in association with the "Sino-Ocean National Seafaring" students-in-action scheme, which was in its 8th edition. About 5.15 million people were served under the programme. The invitation for project proposals under our first "Junior Citizen" national programme, an innovative charity action aimed at cultivating awareness for citizenship responsibilities, was across 19 cities, while earning more than 440,000 likes on the Internet and being closely followed by heavyweight members of the education sector.

CSR Forum

In June 2016, our "Corporate Social Responsibility Report 2015" received the highest 5-star rating in an evaluation exercise undertaken by the Chinese Academy of Social Sciences, underpinning our outstanding ability in the administration and practice of social responsibilities. In July, the Joint Technology Cost Centre under our CSR Operations Centre hosted talks on CSR matters with a number of suppliers who have been our longstanding partners to exchange views and garner new insights on social responsibility and models of managing social responsibility operations.

On 19 November 2016, an event known as "Responsibility Sharing — Healthy Construction at Sino-Ocean" (分享責任健康遠洋行) was jointly hosted by the Social Responsibility Research Centre under the Division of Economics of the Chinese Academy of Social Sciences, the Group and "Sino-Ocean Charity Foundation" at Elite Palace (Guangzhou). A 30-member delegation comprising experts from Guangdong University of Technology, staff representatives from more than 10 enterprises including SDIC, CNBM and China Southern Airlines and members of the media visited the project to observe in close scrutiny the Group's work in improving the residential environment and fostering residential health, as well as its focus on social value and innovative charity programmes, under its brand new brand philosophy of "Healthy Construction".

The Sustainability Report of Sino-Ocean Group for 2016 was prepared in accordance with the standards as stated in Environmental, Social and Governance Reporting Guide (HK-ESG) issued by Hong Kong Stock Exchange, Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) and Corporate Social Responsibility Report Guideline of the PRC issued by China Academy of Social Sciences, which set forth our rationale and effort in achieving sustainability and social responsibility. The report will be published on the website of Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinooceangroup.com) on or about 30 June 2017.

BUSINESS OVERVIEW

SINO-OCEAN 遠洋集團
Annual Report 2016

Co-development of the 5 sectors:

A futuristic model

By 2017, Sino-Ocean's fourth phase of strategic development has been implemented for 2 years.
With vigorous developments in the 5 sectors of
Real Estate, Commercial Property, Service, Capital and Construction
A futuristic model of development has come into shape.
Adjusting and Transforming,
Sino-Ocean Group is anticipating new opportunities in the pipeline.

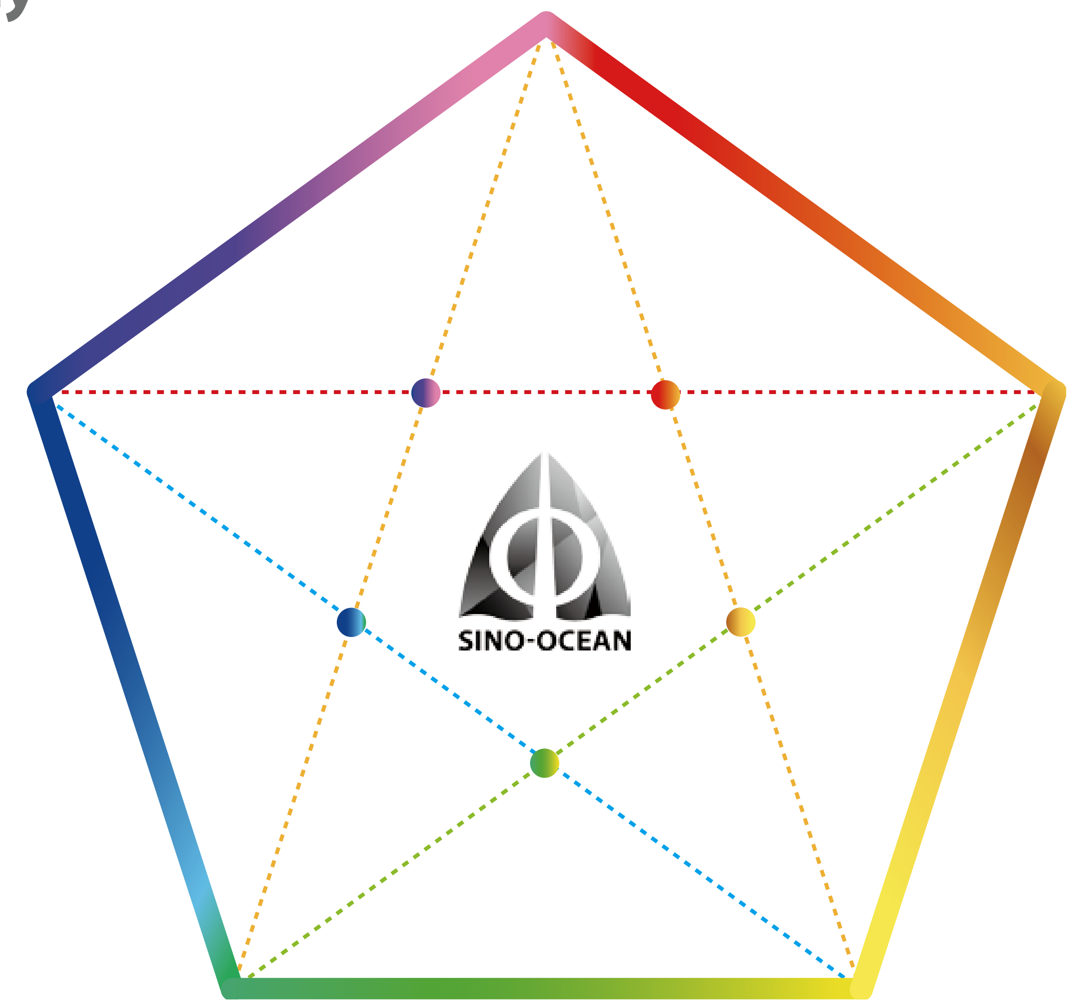
SINO-OCEAN 遠洋集團

Sino-Ocean Commercial Property

Investment property development represents one of the core operations of Sino-Ocean. Sino-Ocean seeks new developments in its strategic products, which involve offices, urban complexes and urban community commercial hubs. We are focused on strengthening our investment holdings in upmarket projects in core tier-one cities, such as Beijing, Shanghai, Guangzhou and Shenzhen.

Sino-Ocean Service

As one of the innovative strategic businesses of Sino-Ocean, the customer service segment and an important segment in the Group's quest for strategic transformation and profit growth. Capitalizing on strong government support for the service sector, we explore pathways for developing our customer service business through the upgrade of traditional services, innovation of new service types and development of the retirement care business and retirement home properties.



Sino-Ocean Real Estate

Residential property development remains the core driver for Sino-Ocean Group's growth in scale. After more than 20 years in the business, 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. In the future, the Company will continue to replenish its land reserve in a prudent manner in order to extend its reach to more cities as it seeks to make contributions to urban development.

Sino-Ocean Capital

Real-estate finance is a core business of Sino-Ocean undergoing active expansion. We will seize opportunities as they arise to solicit public capital and strategic collaboration with shareholders aimed at capital gains, which will be generated from 4 types of businesses: investments in property development funds, equity investments, overseas investments and capital management. In addition to investment gains, we also aim to achieve synergies in relation to the working capital and project value.

Sino-Ocean Construction

Sino-Ocean has brought together planning and design, construction, decoration and fitting, as well as landscaping on the same platform. Through the development of this platform, we will grow towards a "knowledge-intensive and technology-intensive" operation that integrates the platform with the businesses developed. We have also introduced the WELL building standards in line with our product philosophy underpinned by the pursuit of health and finesse.

Beijing • Ocean Epoch

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 brand mission of delivering "Homes for Health Life".

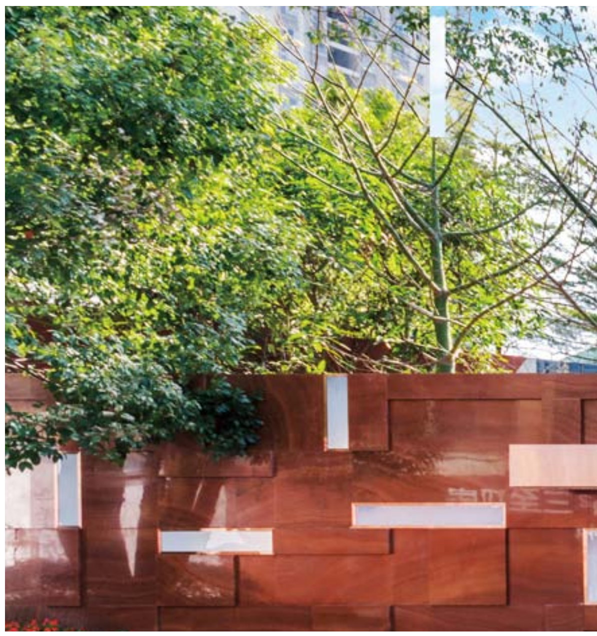
Sino-Ocean Real Estate is highly concerned with customers' needs and committed to becoming a customer expert that enhances product quality with a professional attitude by offering residential products with impeccable quality and conveying Sino-Ocean Real Estate understanding of the interaction between people and living in different times through these products. Through a range of specialized products and services, Sino-Ocean Real Estate answers the needs of people and ring in changes to their living by customizing according to different places and times, to the ends that both the value of Sino-Ocean products and the value of customers' living can be realized.

BEIJING·Ocean Epoch

Total GFA: **264,000 sq.m.**
Total saleable GFA: **198,000 sq.m.**
Attributable interest to the Group: **67.50%**
Usage: **Residential and villa**

GUANGZHOU·
Elite Palace

Total GFA: **310,000 sq.m.**
Total saleable GFA: **279,000 sq.m.**
Attributable interest to the Group: **30%**
Usage: **Residential and retail space**




WELL展示厅
源自美国的WELL
健康住区
WELL发展史
History of WELL


远洋天骄
ELITEPALACE

SHENZHEN·Ocean Express

Total GFA: **556,000 sq.m.**
Total saleable GFA: **437,000 sq.m.**
Attributable interest to the Group: **84.70%**
Usage: **Residential and retail space**

HANGZHOU·
Natural Masterpiece

Total GFA: **145,000 sq.m.**
Total saleable GFA: **99,000 sq.m.**
Attributable interest to the Group: **50%**
Usage: **Residential and retail space**

SHENZHEN·
Ocean Metropolis

Total GFA: **390,000 sq.m.**
Total saleable GFA: **292,000 sq.m.**
Attributable interest to the Group: **85%**
Usage: **Residential and retail space**

SHENYANG·
Grand Canel Milestone

Total GFA: **382,000 sq.m.**
Total saleable GFA: **257,000 sq.m.**
Attributable interest to the Group: **15%**
Usage: **Residential and retail space**

Beijing · Lize Business District Project

远洋商业

SINO-OCEAN COMMERCIAL PROPERTY
远洋商业

The vibrant products and services of Sino-Ocean Commercial Property appeal to people at different stages of life through a shared understanding of contemporary times and make a positive impact on districts and cities. These products and services are constantly underpinned by prospective thinking that resonates with people's longing for the future, providing the driving force for districts and cities to develop and advance. Ever advancing and progressing, Sino-Ocean Commercial Property seeks to contribute to the development and prosperity of districts and cities as it continues to add value through its incessant strength.

BEIJING·INDIGO

Total leasable area: **176,000 sq.m.**
Attributable interest to the Group: **50%**
Usage: **Offices, hotels and retail space**


east

CHENGDU·Sino-Ocean Taikoo Li Chengdu

Total leasable area:
99,000 sq.m.

Attributable interest to the Group:
50%

Usage:
Offices, hotels and retail space

HANGZHOU·Grand Canal Place

Total GFA: **160,000 sq.m.** | Attributable interest to the Group: **100%**
Usage: **Offices and retail space**


Grand River
RESTAURANT

BEIJING·
CBD PLOT Z13

Total GFA: **162,000 sq.m.**
Attributable interest to the Group: **10%**
Usage: **Offices and retail space**

SHANGHAI· East Ocean Center

Total leasable area: **62,000 sq.m.** | Attributable interest to the Group: **50%** | Usage: **Offices and retail space**

Sino-Ocean Group is focused on the investment in and operation of real-estate assets as a strategic core business, with a special emphasis on office projects in tier-one cities and core districts. Value growth for assets is achieved through the acquisition of premium assets followed by upgrades in hardware and service standards under an investment and profit-taking model of "acquisition, operation, improvement and divestiture" for office assets.

In April 2016, Sino-Ocean Group completed the purchase of East Ocean Center Shanghai in its first acquisition of premium commercial properties on prime sites in tier-one cities. The acquisition represents a significant milestone in the development of our real-estate investment and operation in terms of sector exposure and geographic presence, as well as in our ability to attain asset growth and profit from financial instruments.

Cooperation with WeWork

WeWork is a world-renowned leading provider of office space, community and services founded in 2010 in New York. Sino-Ocean Group maintains close liaison with WeWork, as it regards highly the latter's idea of internationalization and drive for innovation.

Officially opened in July 2016, the Yanping Road Project in Shanghai, as the first joint project between Sino-Ocean Group and WeWork and the first project marking WeWork entry into the Asia Pacific market, was fully leased in less than one month. The success of this project has prompted the two partners to engage in further cooperation. On 16 November 2016, Sino-Ocean Group entered into an agreement for strategic cooperation with WeWork to become the first property developer-partner of the latter.

Mr. Li Ming, President of Sino-Ocean Group, officiating at the opening ceremony of the first WeWork in China, located in Shanghai, on 26 July 2016.

Signing ceremony for the strategic cooperation agreement between Sino-Ocean Group and U.S. WeWork held on 16 November 2016. Pursuant to the agreement, the two parties would launch a new joint venture project in East Ocean Center Shanghai held by Sino-Ocean Group, followed by WeWork Guanghua Road Project and WeWork Ciyun Temple Project, respectively, to be located in Ocean Office Park (Beijing) and Ocean International Center Block A (Beijing) held by Sino-Ocean Group.

远洋服务

SINO-OCEAN SERVICE

远洋服务

The brand philosophy of Sino-Ocean Service seeks to be "attentive and creative", as it endeavours not just to provide bespoke services, but also to add value by bringing customers to Sino-Ocean and resources to customers with innovative means and platforms.

In addition to providing standardized services, Sino-Ocean Service also places a strong emphasis on enhancing personal and tailor-made services with innovative mindsets and methods. Through our products and services, we seek to create connections and add value among people and between people and their environment with its broad resources. Sino-Ocean Service boasts profound understanding of customers' requirements and assures that people will get what they want, as we endeavours to offer the experience of attentive, bespoke services.

Ocean Homeplus

Sino-Ocean Group is of the view that the property market is entering a stage of stocked supply highlighted by the demand for services. Property service, in particular, represents a major focus and promises broad prospects in the future as the valuation of this sector continues to grow in the capital market.

In view of the above, Sino-Ocean Group has consolidated its property service operations into Ocean Homeplus Property Service Corporation Limited, which was admitted to quotation on NEEQ (stock code: 837149.OC) on 9 May 2016 to become the largest property service company on this market. Leveraging the resources of the capital market, Ocean Homeplus will seek expansion through the provision of specialized services and development of value-added services, with a view to creating a diversified mid- to high-end service platform covering the entire service cycle.

Representatives of Ocean Homeplus rang the opening bell at the hall of NEEQ on 22 June 2016 to mark its official admission to NEEQ. Earlier, quotation of Ocean Homeplus (stock code: 837149.OC) on NEEQ officially commenced on 9 May. As the largest property service provider on NEEQ, Ocean Homeplus has been a frontrunner among the top 100 property service providers in China for consecutive years.

Ocean Homeplus named among "Outstanding NEEQ Property Service Providers 2016" at the "Presentation of Results of Research on Listed PRC Property Companies 2016" held in Beijing on 18 May 2016 by the Corporate Research Institute under the Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University and China Index Academy to announced the "Research Report on Listed PRC Property Companies 2016" and the "List of Outstanding Listed PRC Property Companies 2016".

Sino-Ocean Retirement Care

As the aging process of the Chinese population gains pace, demand for institutionalized retirement care continues to grow and, as such, presents an immense opportunity for business. In tandem with the demand of the market, Sino-Ocean Group has made preemptive moves to explore and develop retirement care operations.

Senior Living L'Amore Yizhuang, the first retirement home by Sino-Ocean was opened in August 2013 and in less than 3 years the facility was fully occupied. Subsequently, Senior Living L'Amore Shuangqiao, Senior Living L'Amore Qingta and Senior Living L'Amore Beiyuan were opened in May 2014, May 2016 and December 2016, respectively, completing a network for the Senior Living L'Amore brand of Sino-Ocean in Beijing with establishments in the eastern, western, northern and southern parts of the Capital.

In addition to the CB (Care Building) model, Sino-Ocean has also started to develop the CLRC (Continuing Living Retirement Community) model, in order to be engaged in both "light-weight" and "heavy-weight" operations. Preparations have begun for the establishment of branches across the nation.

Meanwhile, in an in-depth investigation of retirement care systems with unique features, Senior Living L'Amore has introduced the validation therapy for Alzheimer's founded by U.S. expert Naomi Feil and become the first and only authorized institution in China to apply this therapy.


CNR


“墨鸣生活 笔舞椿萱”暨天桥书画院书画交流会
福
寿
福

L'Amore Beiyuan

L' Amore Yizhuang

L'Amore Qingta

L'Amore Shuangqiao


海医汇
Health
in Here


诊室2


海医汇
Health in Here

Sino-Ocean Health

The demand for healthcare services is growing in China. According to the State Council document entitled "State Council Opinion on Facilitating Development of the Healthcare Service Sector" (《國務院關於促進健康服務業發展的若干意見》), the total value of the healthcare service sector will be exceed RMB8,000 billion by 2020. In view of this enormous market, Sino-Ocean Group has started to explore and build its business in the healthcare sector.

In 2016, Sino-Ocean Group founded a medical care brand under Sino-Ocean Health known as "Health is Here" and opened its first community medical centre, "Health is Here Clinic" (海醫匯博雅診所), on 23 January. In December the same year, the "Health is Here" Guo Mao CBD Medical Centre (海醫匯國貿CBD醫療中心) was opened in the highly expensive CBD of Beijing as a general practice clinic with upgraded value-added services.


+489,656

远洋资本

SINO-OCEAN CAPITAL

远洋资本

Sino-Ocean Capital is engaged in professional operations that enhance the liquidity of industrial assets, converting and increasing the value of these assets to maximize capital value while assisting the companies concerned to seek progress. Sino-Ocean Capital's profound understanding of industrial assets and proven experience have enabled it to make sound judgements and fruitful investments. Its financial operations are underpinned by unique insights and superior credit rating, while its strengths and experiences have contributed to its skills being put to practice in the capital markets.

Industrial operation and capital as dual drivers

Sino-Ocean Group makes it clear in its Phase IV strategy that the objective of Sino-Ocean Capital is to generate profit from capital investment and, in addition to investment gains, it also seeks strategic collaboration to achieve business synergies with the industrial operations of Group to develop capital application and industrial development into dual growth drivers.

In 2016, Sino-Ocean Capital managed assets with a record-high worth of over RMB35 billion. Important progress was made in held-for-sale property investments, equity investments and long-term property investment, with growing diversity in the forms of our businesses. For example, we participated in China Logistics Property as cornerstone investors and subscribed for shares in Beijing Capital Juda to tap logistics-related businesses through capital investments, with a view to accelerating the transformation of our industries and building strategic partnerships in a variety of sectors.

During the period from 31 October to 4 November 2016, Sino-Ocean Group assisted its strategic partner, Gemini Rosemont of the United States, to run a series of investment presentation programmes in China. It was the first large-scale investment presentation of Gemini Rosemont in China following Sino-Ocean Group's investment in and strategic partnership with the Company.

In July 2016, Sino-Ocean Group subscribed for shares in China Logistics Property Co., Ltd. (1589.HK), a leading provider of logistics facilities in Mainland China, to become a cornerstone investor in the H share IPO of China Logistics Property on The Stock Exchange of Hong Kong. The two parties also entered into a memorandum for strategic cooperation, aiming to attain strategic synergies through enhanced business interaction.

In November 2016, Sino-Ocean Group subscribed for the private share placing of Beijing Capital Juda Ltd (1329.HK) to become its second largest shareholder, underscoring another significant achievement in Sino-Ocean Capital's application of financial capital.

远洋营造

SINO-OCEAN CONSTRUCTION
远洋营造

Sino-Ocean Construction assures delivery of products that meet customers' expectations on the back of its supreme and constantly improving technologies and expertise, as well as its profound understanding of customers' needs. Its rigid in-house discipline assures that products are delivered with quality and efficiency. Its knowledge in project financials and vigorous cost control assures maximum value for users. In short, Sino-Ocean Construction maximizes the value of its products by constantly upgrading its skills and expertise with an unwavering commitment to its mission.

Introducing the WELL building standards

In 2016, Sino-Ocean Group implemented centralized processes for construction and founded the Sino-Ocean Design Institute, with a view to developing Sino-Ocean Construction into a new core business unit. For the construction sector, Sino-Ocean further propositioned the brand concept of "Home for Healthy Life", as we pioneered in the introduction of the WELL building standards, the world's first building assessment system based on factors in human health and comfort, under which buildings are evaluated and certified according to 102 measurable indicators in 7 categories, namely, air, water, nourishment, light, fitness, comfort and mind. We are committed to fostering Sino-Ocean Construction's core competitive strengths with the development of green buildings, such that we could explore business opportunities with immense potential while adding value for the community.

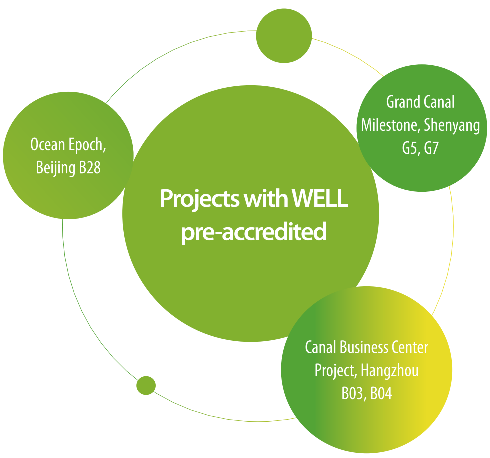
Seven categories of WELL building standards

On 31 March 2016, Sino-Ocean Group entered into an agreement for strategic cooperation with Delos Corporation of the United States which has introduced the WELL building standards, pledging further cooperation in the promotion of the WELL standards in China in relation to housing construction.

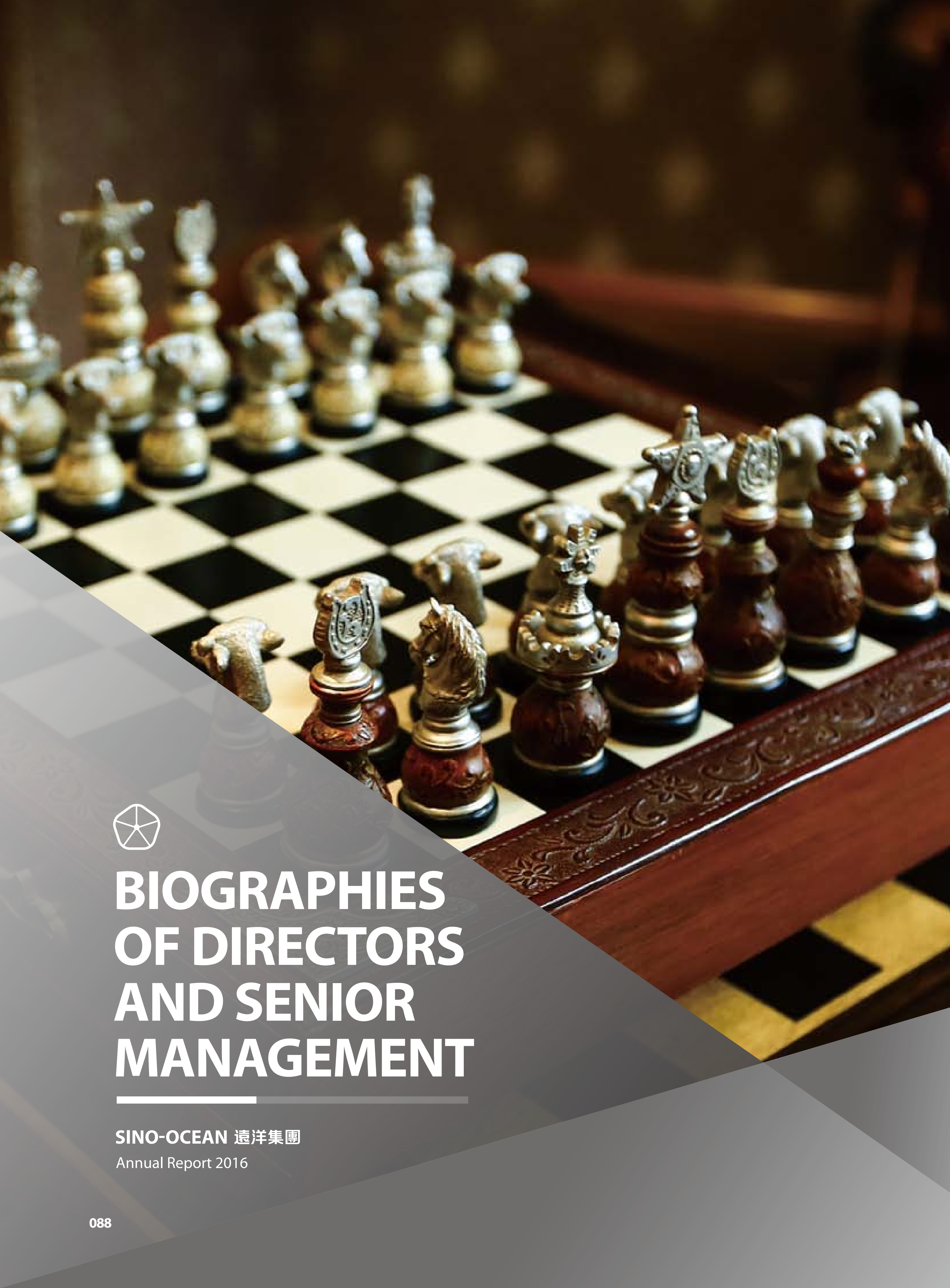
Pursuant to the strategic cooperation agreement, Sino-Ocean will implement WELL certification for its property developments with an aggregate GFA of 2,500,000 sq. m., aiming at nationwide application following introduction in South China.

Mr. Li Ming is joining the advisory board of Delos at the latter's invitation to give advice in respect of the promotion of WELL building standards in China.

On 10 July 2016, Mr. Paul Scialla, founder and CEO of Delos, attended a forum with the builders and owners of Elite Palace, the first residential development in China built according to the WELL standards, to understand what customers think about and expect from a healthy residence.



On 26 September 2016, Sino-Ocean Group showcased 5 of its projects at the International Design Week held in Beijing and hosted a forum entitled "Residential Living in the Context of the 'Health China' National Strategy" to present its philosophy of health-friendly building construction.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Director Mr. LI Ming (李明)

Mr. LI Ming, aged 53, is the Chairman of the Board, Chief Executive Officer ("CEO"), 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 CEO in August 2006. 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, 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 the vice-president of the China Real Estate Association ("CREA") and director of the Commercial and Tourism Real Estate Professional Committee of CREA. Mr. Li was a member of the 10th and 11th Chinese People's Political Consultative Conference Beijing Municipal Committees and a member of the 13th, 14th and 15th Chaoyang District People's Congress of Beijing. He was an advisory expert of the Ministry of Housing and Urban-Rural Development at real estate market regulation. Mr. Li obtained a bachelor's degree in Motor Vehicle Transportation from Jilin Industrial University in July 1985 and a master's degree in Business Administration from the China Europe International Business School in May 1998. He is a member of the Chartered Institute of Building, UK and also a qualified senior engineer.

Executive Director Mr. LI Hu (李虎)

Mr. LI Hu, aged 45, is a member of the Investment Committee and the Vice President of the Company. Mr. Li joined the Group in March 2016. 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"). 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 46, is a member of the Investment Committee of the Company. Mr. Wang joined the Group in March 2016. Mr. Wang has extensive experience in banking and insurance. He is currently the chief executive officer of Anbang Insurance Group Co., Ltd. ("Anbang"). He obtained a doctorate degree in Applied Psychology from Zhejiang University, and is a senior economist. Mr. Wang is nominated by Anbang, a substantial shareholder of the Company.

Executive Director

Mr. SUM Pui Ying (沈培英)

Mr. SUM Pui Ying, aged 55, joined the Group in May 2007 and is the Chief Financial Officer of the Company. 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. Mr. Sum also serves as legal representative and director of a number of subsidiaries and project companies of the Company. Mr. Sum is primarily engaged in the strategic development of the Company and is responsible for the overall coordination of the Group's overseas business, operation and management of the Group's Hong Kong and overseas business, and in charge of daily operation 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 the Vice President of the Company. Mr. Wen joined the Group in January 2009. He also serves as the legal representative and director of a number of subsidiaries and project companies of the Company. He was 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 is primarily engaged in the overall of the Company's operations. He is responsible for the office and commercial real estate business as well as coordination, and also responsible for the Group's risk management and 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 and a doctorate degree in Management from Chongqing University in June 1999 and December 2007, respectively. 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 49, is a member of the Investment Committee and the assistant to the CEO of the Company. He has been the general manager of the finance department of Sino-Ocean Land Limited since 2006, a wholly-owned subsidiary of the Company. Mr. Li has been the assistant to CEO of the Company since 2015. He also serves as director of a number of subsidiaries and project companies of the Company. Mr. Li has over 20 years of experience in accounting. He mainly engages in the overall management of the Company's operations and is responsible for the financial management of the Group, and assists in managing and supervising the work of the financial management centre. 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. He has been appointed as a non-executive director of Gemini since October 2010.

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

Mr. ZHAO Lijun, aged 54, is a member of the Audit Committee of the Company. 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 54, is a member of the Audit Committee of the Company. Mr. Yao joined the Group in March 2016. Mr. Yao has extensive experience in banking and insurance and served various positions in Anbang Property Insurance Inc., 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 49, joined the Group in May 2014. He joined China Life Insurance Group in May 2002 and served various positions, including but not limited to the general manager of the Investment Management Department. He is currently an executive director and vice president of China Life Insurance (Overseas) Company Limited. He is also a non-executive director of CITIC Securities Co., Ltd., 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. He is a senior economist. 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 43, joined the Group in March 2016. Ms. Shangguan served various positions in Anbang Property Insurance Inc., 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. TSANG Hing Lun (曾慶麟)

Mr. TSANG Hing Lun, aged 67, is the chairman of the Audit Committee and a member of the Investment Committee of the Company. Mr. Tsang joined the Group in June 2007. Mr. Tsang joined Hang Seng Bank in 1973 and served for 17 years. He acted as an assistant general manager of the planning and development division. He joined the UOB Group in Singapore in 1990 as its head of International Branches Division and its first vice president. Mr. Tsang also acted as an executive director of China Champ Group in 1994, an alternate chief executive and a deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. Mr. Tsang was an independent non-executive director of Beijing Youth Media Corporation Limited and China Rongsheng Heavy Industries Group Holdings Limited, companies listed on the Stock Exchange. Mr. Tsang currently acts as an independent non-executive director of Sinotrans Shipping Limited, Nexteer Automotive Group Limited, COSCO SHIPPING Development Co., Ltd. and China Resources Pharmaceutical Group Limited, companies listed on the Stock Exchange. Mr. Tsang is a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with bachelor's degree in Business Administration (1st Class Honors) in 1973.

Independent Non-Executive Director Mr. HAN Xiaojing (韓小京)

Mr. HAN Xiaojing, aged 62, is the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. He 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 was a supervisor of Beijing Capital International Airport Company Limited, a company 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. He is currently an independent non-executive director of Far East Horizon Limited and Sinotrans Limited, companies listed on the Stock Exchange. He has been serving as an independent director of Ping An Bank Co., Ltd and Beijing Sanju Environmental Protection and New Material Co., Ltd., companies listed on the Shenzhen Stock Exchange since February 2014 and April 2014, respectively. Mr. Han obtained a master's degree in Law from China University of Political Science and Law in 1985.

Independent Non-Executive Director Mr. WANG Zhifeng (王志峰)

Mr. WANG Zhifeng, aged 61, is a member of the Nomination Committee and Remuneration Committee of the Company. He 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. He is a senior economist.

Independent Non-Executive Director

Mr. SUEN Man Tak (孫文德)

Mr. SUEN Man Tak, aged 58, is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. 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 for more than 17 years. Mr. Suen is a member of the Board of Review (Inland Revenue Ordinance) in Hong Kong since July 2014. Mr. Suen was an independent non-executive director of Neo-Neon Holdings Limited, a company listed on the Stock Exchange. 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 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. JIN Qingjun (靳慶軍)

Mr. JIN Qingjun, aged 59, is a member of the Audit Committee and Investment Committee of the Company. He is currently the senior partner of King & Wood Mallesons, Beijing. His major areas of practice include securities, finance, investment, corporate, insolvency as well as foreign-related legal affairs. Mr. Jin was an independent non-executive director of Masterwork Machinery Co., Ltd., a company listed on the Shenzhen Stock Exchange. He currently serves as an independent non-executive director of Times Property Holdings Limited, a company listed on the Stock Exchange, Guotai Junan Securities Co., Ltd., a company listed on the Shanghai Stock Exchange, and Gemdale Corporation, a company listed on 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. He obtained a master's degree in Law from China University of Political Science and Law.

Senior Management

Mr. XU Li

Mr. XU Li (徐立), aged 55, is the Senior Vice President of the Company. Mr. Xu joined the Group in October 1997. With extensive experience in property development and property investment, Mr. Xu is primarily engaged in assisting the CEO and other senior management of the Group, focusing on the business extension in Beijing-Tianjin-Hebei region and relevant special duties. Mr. Xu obtained a bachelor's degree in Industrial and Residential Construction from the Liaoning Radio and Television University in December 1992 and obtained a master's degree in Business Administration from Cheung Kong Graduate School of Business in September 2010.

Mr. CHEN Runfu

Mr. CHEN Runfu (陳潤福), aged 52, is the Senior Vice President of the Company. Mr. Chen joined the Group in 1995. Mr. Chen also serves as a director or general manager of a number of subsidiaries and project companies of the Company. With extensive experience in the development and investment of residential properties, offices, commercial properties and industrial properties, Mr. Chen currently assists the CEO and other senior management of the Group in our development, focusing on his own profession and the business extension in offices and industrial properties. Mr. Chen obtained a bachelor's degree in Harbor and Channel Engineering from Dalian Institute of Technology (now known as Dalian University of Technology) in July 1986 and a master's degree in Business Administration from the China Europe International Business School in September 2005.

Mr. WANG Fushun (王福順)

Mr. WANG Fushun (王福順), aged 55, is the Vice President of the Company. Mr. Wang joined the Group in 2002. Mr. Wang also serves as director or general manager of a number of subsidiaries and project companies of the Company. With extensive experience in development and operation of residential and commercial properties, Mr. Wang is currently primarily responsible for the overall management of the Company's operations and responsible for the business and overall coordination in Beijing-Tianjin-Hebei, Northeast China and Shandong, as well as responsible for operation management centre. He assists the CEO in charge of the general operation and management of the Group, and is responsible for the overall coordination of the Group's business in different sectors and regions. Mr. Wang obtained a bachelor's degree and a master's degree in Engineering Mechanical Design and Manufacturing from Northeast Forestry University in July 1982 and March 1987, respectively.

Senior Management

Mr. CHEN Zuyuan (諶祖元)

Mr. CHEN Zuyuan (諶祖元), aged 55, is the Vice 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 in charge of the business of Southern China, Eastern China and Southwest China and its overall coordination. He assists the CEO in the enhancement of the operation and management of the Group's development business, as well as the development of substantial projects. Mr. Chen obtained a bachelor's degree in Industrial and Civil Construction from the Hunan University in July 1983 and a master's degree in Business Administration from the China Europe International Business School in September 2006.

Mr. LI Jianbo (李建波)

Mr. LI Jianbo (李建波), aged 54, is the Vice President of the Company. Mr. Li joined the Group in September 2009. With extensive experience in human resources and operation management in multi-national companies, Mr. Li is currently primarily engaged in the overall management of the Company's operations, responsible for the Group's human resources management, strategic process management, overall management of administration. He assists in the coordination of various works of functional centres of the Group. He is responsible for the Group's customer service, property management and senior living real estate business and its overall coordination, as well as in charge of the human resources centre and the strategic process centre. Mr. Li obtained a bachelor's degree in Computer Engineering from Tsinghua University in July 1985 and obtained a master's degree in Business Administration from the State University of New Jersey in the USA in August 2000. Mr. Li was the chairman and an executive director of Gemini.

Ms. HU Bo (胡波)

Ms. HU Bo (胡波), aged 44, is the Vice President of the Company. Ms. Hu joined the Group in April 2016. With extensive experience in financial management, Ms. Hu is currently engaged in the overall management of the Group's operations, responsible for the financial management of the Group. She assists in the risk management of the Group and is in charge of the financial management centre and assists in charge of the risk management centre. Ms Hu obtained a master's degree in Accounting from Central China Normal University in 1998 and is a Chinese Certified Public Accountant.

Company Secretary

Mr. CHUNG Kai Cheong (鍾啟昌)

Mr. CHUNG Kai Cheong (鍾啟昌), aged 38, 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 16 years of experience in accounting, financial management, corporate finance, auditing and compliance of Listing Rules and regulations in Hong Kong.

DIRECTORS' REPORT

SINO-OCEAN 遠洋集團
Annual Report 2016

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 2016.

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 property development, investment and operation of urban property complexes and offices, property services, community O2O, senior living, medical care, shared offices, investment in cultural businesses, 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 7 to the consolidated financial statements of this annual report.

Results and Appropriations

Results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement and the consolidated statement of comprehensive income on page 136 and 137 of this annual report respectively.

During the year under review, an interim dividend in respect of the six months ended 30 June 2016 of HKD0.079 per ordinary share and a final dividend in respect of the financial year ended 31 December 2015 of HKD0.05 per ordinary share were paid respectively.

The Board proposed to recommend at the forthcoming AGM to be held on Thursday, 18 May 2017 the payment of a final dividend of HKD0.12 per ordinary share for the year ended 31 December 2016. 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 Tuesday, 23 May 2017. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited (the "Share Registrar") at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 23 May 2017.

The register of members of ordinary shares of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017 (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 Friday, 12 May 2017.

Reserves

Movements in the reserves of the Group and the Company during the year under review are set out in note 29 to the consolidated financial statements of this annual report.

Distributable Reserves

The Company's total distributable reserves as at 31 December 2016 amounted to RMB911 million.

Share Capital

Movements in the share capital of the Company during the year under review and as at 31 December 2016 are set out in note 27 to the consolidated financial statements of this annual report.

Fixed Assets

Movements in the Group's fixed assets are set out in note 8 to the consolidated financial statements of this annual report.

Borrowings and Capitalization of Interests

Details of borrowings are set out in note 33 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 41 to the consolidated financial statements of this annual report.

Donations

For the year ended 31 December 2016, the Group's donations to charity and other purposes were approximately RMB5.44 million (2015: RMB3.65 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 "2016 Business Review" and "Our strategy in 2017" 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 "Market outlook in 2017" under the Chairman's Statement, note 5 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. Meanwhile, an environmental charity project known as "Healthy Office with Green Footprints" was launched in 2016, 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. For further information, please refer to the section headed "Environmental Protection" 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 seeks to maintain effective communication in accordance with accurate, transparent and consistent standards for disclosure and to do so in a creditworthy manner and with openness. Furthermore, we seek proactive communication with investors in addition to roadshow presentations of business results. After each general meeting, the management will stay behind and engage in direct dialogue with individual shareholders, so that all shareholders will have the opportunity to discuss their concerns with the management in greater depth. 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. The garnering of the title of "Top 100 Best Employers in China" has fully demonstrated the powerful brand influence of Sino-Ocean as an employer in terms of 6 key dimensions: corporate image, organisational management, brand strategy, training and development, remuneration, and work environment. For further information, please refer to the section headed "Organisational Development" in the sustainability report included in this annual report.

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. For further information, please refer to the section headed "Customer Campaigns" in the sustainability report included in this annual report.

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 "Healthy Construction" 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 8000 business partners across the nation, engaged in 260 sectors under 39 major categories, such as servicing, project work, supplies, maintenance and others. 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. For further information, please refer to the section headed "Civic Responsibilities" in the sustainability report included in this annual report.

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 116 to 125 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 40 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 63,800,150 shares of the Company by way of market acquisition at an aggregate consideration of approximately RMB181,439,538 (including transaction cost). Up to 31 December 2016, 123,086,705 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 RMB400,061,538 (including transaction costs), representing 2.18% 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 2016	Shares awarded during the year	No. of shares vested during the year	No. of shares lapsed during the year (note)	Balance as at 31 December 2016
18 March 2013	1,374,600	–	(1,362,000)	(12,600)	–
18 March 2014	8,668,500	–	(6,546,900)	(537,450)	1,584,150
13 May 2014	230,400	–	(38,400)	(192,000)	–
18 March 2015	19,967,300	–	(11,937,547)	(1,380,442)	6,649,311
25 March 2016	–	13,394,900	–	(60,000)	13,334,900
Total	**30,240,800**	**13,394,900**	**(19,884,847)**	**(2,182,492)**	**21,568,361**

Note: Pursuant to the Award Scheme, 2,182,492 awarded shares were lapsed upon the 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. 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 5.65% 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, movements of share options granted to the Directors, chief executives, and employees of the Group under the Share Option Scheme are as follows:

	Date of share option granted	Exercise price per share (HKD)	No. of share options outstanding as at 1 January 2016	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 2016
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
Ms. LIU Hui	12 Jan 2012	3.57	400,000	–	–	(400,000)	–
(Resigned on 22 Mar 2016)	27 Aug 2015	4.04	350,000	–	–	(350,000)	–
Mr. LI Hu (Appointed on 22 Mar 2016)	13 Apr 2016	3.80	–	500,000	–	–	500,000
Mr. KWOK Kin Ho (Resigned on 22 Mar 2016)	27 Aug 2015	4.04	350,000	–	–	(350,000)	–
Mr. WANG Yeyi (Appointed on 22 Mar 2016)	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
Mr. LI Hongbo	27 Aug 2015	4.04	700,000	–	–	–	700,000
(Appointed on 22 Mar 2016)	13 Apr 2016	3.80	–	4,000,000	–	–	4,000,000
Mr. YANG Zheng	12 Jan 2012	3.57	400,000	–	–	–	400,000
(Resigned on 25 Oct 2016)	27 Aug 2015	4.04	350,000	–	–	(210,000)	140,000
	13 Apr 2016	3.80	–	500,000	–	(500,000)	–
Mr. YANG Leyu (Resigned on 22 Mar 2016)	27 Aug 2015	4.04	350,000	–	–	(350,000)	–
Mr. YAO Dafeng (Appointed on 22 Mar 2016)	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 (Appointed on 22 Mar 2016)	13 Apr 2016	3.80	–	500,000	–	–	500,000
Mr. TSANG Hing Lun	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 2016	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 2016
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
Mr. GU Yunchang	12 Jan 2012	3.57	600,000	–	–	(600,000)	–
(Resigned on 20 Mar 2016)	27 Aug 2015	4.04	350,000	–	–	(350,000)	–
Mr. WANG Zhifeng (Appointed on 20 Mar 2016)	13 Apr 2016	3.80	–	500,000	–	–	500,000
Mr. SUEN Man Tak	13 Apr 2016	3.80	–	500,000	–	–	500,000
Mr. JIN Qingjun (Appointed on 22 Mar 2016)	13 Apr 2016	3.80	–	500,000	–	–	500,000
Subtotal			**17,870,000**	**39,500,000**	**–**	**(3,110,000)**	54,260,000
Employees	12 Jan 2012	3.57	27,273,172	–	(290,000)	(2,977,500)	24,005,672
	27 Aug 2015	4.04	72,416,000	–	–	(6,480,000)	65,936,000
	13 Apr 2016	3.80	–	143,384,000	–	(3,900,000)	139,484,000
Subtotal			**99,689,172**	**143,384,000**	**(290,000)**	**(13,357,500)**	229,425,672
Total			**117,559,172**	**182,884,000**	**(290,000)**	**(16,467,500)**	283,685,672

Notes:

(i) During the year ended 31 December 2016, 290,000 share options were exercised and weighted average closing price of shares of the Company immediately before the dated of exercise was approximately HKD3.91 per share.

The average fair value of 182,884,000 share options granted on 13 April 2016 is HKD0.995166 per option. In determining the fair value of share options, the Binomial Lattice Model has been used and the following variables have been applied to the model:

Measurement date	**13 April 2016**
Variables	
— the expected volatility	43.40%
— the annual risk-free interest rate	0.994%
— the expected dividend yield	4.54%
— the expected life from the measurement date	5 years

Notes:

(i) The closing price per share immediately before 13 April 2016, the date of granting the options was HKD3.79.

(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.

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
Ms. LIU Hui	Executive Director (resigned on 22 March 2016)
Mr. LI Hu	Executive Director (appointed on 22 March 2016)
Mr. KWOK Kin Ho	Executive Director (resigned on 22 March 2016)
Mr. WANG Yeyi	Executive Director (appointed on 22 March 2016)
Mr. SUM Pui Ying	Executive Director
Mr. WEN Haicheng	Executive Director
Mr. LI Hongbo	Executive Director (appointed on 22 March 2016)
Mr. YANG Zheng	Non-executive Director (resigned on 25 October 2016)
Mr. ZHAO Lijun	Non-executive Director (appointed on 25 October 2016)
Mr. YANG Leyu	Non-executive Director (resigned on 22 March 2016)
Mr. YAO Dafeng	Non-executive Director (appointed on 22 March 2016)
Mr. FANG Jun	Non-executive Director
Ms. SHANGGUAN Qing	Non-executive Director (appointed on 22 March 2016)
Mr. TSANG Hing Lun	Independent non-executive Director
Mr. HAN Xiaojing	Independent non-executive Director
Mr. GU Yunchang	Independent non-executive Director (resigned on 20 March 2016)
Mr. WANG Zhifeng	Independent non-executive Director (appointed on 20 March 2016)
Mr. SUEN Man Tak	Independent non-executive Director
Mr. JIN Qingjun	Independent non-executive Director (appointed on 22 March 2016)

In accordance with Article 101 of the Articles of Association of the Company (the "Articles"), Mr. LI Hongbo, Mr. YAO Dafeng, Mr. FANG Jun, Ms. SHANGGUAN Qing and Mr. WANG Zhifeng shall retire by rotation and, being eligible, offer themselves for re-election pursuant to Article 103 of the Articles, at the forthcoming AGM.

In accordance with Article 106 of the Articles, Mr. ZHAO Lijun being appointed by the Board to fill casual vacancy, shall also retire and, being eligible, offer himself for re-election at the forthcoming AGM.

Brief biographical details of the Directors and senior management are set out on pages 89 to 99 of this annual report.

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 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 2016, 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	1.703%
	Beneficiary of trust	9,521,711 (note iv)	–	–	9,521,711	0.127%
	Beneficial owner	3,127,000	28,080,000	3,112,489	34,319,489	0.457%
Mr. LI Hu	Beneficial owner	–	500,000	60,000	560,000	0.007%
Mr. WANG Yeyi	Beneficial owner	–	500,000	60,000	560,000	0.007%
Mr. SUM Pui Ying	Beneficial owner	1,777,550	8,130,000	1,098,950	11,006,500	0.146%
Mr. WEN Haicheng	Beneficial owner	1,109,812	6,160,000	1,064,650	8,334,462	0.111%
Mr. LI Hongbo	Beneficial owner	104,506	4,700,000	214,439	5,018,945	0.067%
Mr. FANG Jun	Beneficial owner	79,250	850,000	78,750	1,008,000	0.013%
Mr. YAO Dafeng	Beneficial owner	–	500,000	60,000	560,000	0.007%
Ms. SHANGGUAN Qing	Beneficial owner	–	500,000	60,000	560,000	0.007%
Mr. TSANG Hing Lun	Beneficial owner	123,000	850,000	87,000	1,060,000	0.014%
Mr. HAN Xiaojing	Beneficial owner	313,000	1,450,000	87,000	1,850,000	0.025%
Mr. WANG Zhifeng	Beneficial owner	–	500,000	60,000	560,000	0.007%
Mr. SUEN Man Tak	Beneficial owner	–	500,000	60,000	560,000	0.007%
Mr. JIN Qingjun	Beneficial owner	–	500,000	60,000	560,000	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 9,521,711 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. WEN Haicheng	Gemini Investments (Holdings) Limited	Beneficial owner	–	–	–	–	70,000	0.016%
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. 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 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") are 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).

Save as disclosed above, as at 31 December 2016, 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.

Disclosure pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2016, 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 2016 is presented as follows:

	RMB million
Non-current assets	217
Current assets	27,509
Current liabilities	(11,683)
Non-current liabilities	(11,732)
Net assets	**4,311**

The Group's attributable interest in the affiliated companies as at 31 December 2016 amounted to RMB1,959 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 2016.

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 2016, 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	29.99%
Anbang Insurance Group Co., Ltd. (note ii)	Interest of controlled corporation	Long	2,252,646,115	29.98%
Anbang Asset Management (Hong Kong) Co. Limited (note iii)	Investment Manager	Long	2,252,646,115	29.98%

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 2016, 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 51 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 2016.

Disclosure pursuant to Rule 13.21 of the Listing Rules

The Company had entered into two facility agreements (the "Facility Agreements"), namely, a 5-year term loan facilities in a principal of USD410 million or its equivalent in other currencies dated 12 July 2013 and 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 Agreements, 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 Agreements 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 Facility Agreement dated 12 July 2013 was fully repaid in September 2016.

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 2016 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 15 March 2017, the Company obtained the approval from the National Association of Financial Market Institutional Investor in the PRC for registration and proposed issue of Medium-term Notes in an aggregate amount of not more than RMB 10 billion in multiple tranches as and when appropriate.

On 23 March 2017, the first tranche Medium-term Notes were issued in an aggregate amount of RMB 4 billion in two series: i) RMB 2 billion with coupon rate of 4.77% per year of a term of three years, and ii) RMB 2 billion with coupon rate of 5.05% per year of a term of five years.

By order of the Board

LI Ming
Chairman

Hong Kong, 30 March 2017

CORPORATE GOVERNANCE REPORT

SINO-OCEAN 遠洋集團
Annual Report 2016

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2016.

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 deviation as disclosed in the section headed "Board Composition — (i) Chairman and Chief Executive Officer" in this report.

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 2016 and the final results for the year ended 31 December 2016, 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 2016, 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 independent non-executive Directors ("INEDs"), Mr. TSANG Hing Lun, Mr. HAN Xiaojing, Mr. WANG Zhifeng, Mr. SUEN Man Tak. and Mr. JIN Qingjun.

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

The roles of the chairman (the "Chairman") and the CEO of the Company are served by Mr. LI Ming and have not been segregated as required under code provision A.2.1 of the CG Code. However, the Company considers that the combination of the roles of the Chairman and the CEO will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company. Although the responsibilities of the Chairman and the CEO are vested in one person, 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.

During the year under review, the Board 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 Company has received annual confirmations from all INEDs 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, Mr. FANG Jun and Mr. YANG Zheng, all are non- executive Directors, have agreed not to receive the Director's fees of HK$64,000, HK$350,000 and HK$286,000 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 four 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 and AGM during the year under review is set out in the following table:

	Number of meeting attended/held	
Directors	**Board Meeting**	**AGM**
Mr. LI Ming	4/4	1/1
Ms. LIU Hui (resigned on 22 March 2016)	1/1	0/0
Mr. LI Hu (appointed on 22 March 2016)	3/3	1/1
Mr. KWOK Kin Ho (resigned on 22 March 2016)	1/1	0/0
Mr. WANG Yeyi (appointed on 22 March 2016)	3/3	1/1
Mr. SUM Pui Ying	4/4	1/1
Mr. WEN Haicheng	4/4	1/1
Mr. LI Hongbo (appointed on 22 March 2016)	3/3	0/1
Mr. YANG Zheng (resigned on 25 October 2016)	1/2	0/1
Mr. ZHAO Lijun (appointed on 25 October 2016)	1/2	0/0
Mr. YANG Leyu (resigned on 22 March 2016)	1/1	0/0
Mr. YAO Dafeng (appointed on 22 March 2016)	3/3	0/1
Mr. FANG Jun	4/4	1/1
Ms. SHANGGUAN Qing (appointed on 22 March 2016)	3/3	0/1
Mr. TSANG Hing Lun	4/4	1/1
Mr. HAN Xiaojing	4/4	0/1
Mr. GU Yunchang (resigned on 20 March 2016)	0/0	0/0
Mr. WANG Zhifeng (appointed on 20 March 2016)	4/4	1/1
Mr. SUEN Man Tak	4/4	0/1
Mr. JIN Qingjun (appointed on 22 March 2016)	3/3	1/1

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
Ms. LIU Hui (resigned on 22 March 2016)	A/C
Mr. LI Hu (appointed on 22 March 2016)	C
Mr. KWOK Kin Ho (resigned on 22 March 2016)	C
Mr. WANG Yeyi (appointed on 22 March 2016)	C
Mr. SUM Pui Ying	A/C
Mr. WEN Haicheng	A/C
Mr. LI Hongbo (appointed on 22 March 2016)	A/C
Mr. YANG Zheng (resigned on 25 October 2016)	A/C
Mr. ZHAO Lijun (appointed on 25 October 2016)	A/C
Mr. YANG Leyu (resigned on 22 March 2016)	C
Mr. YAO Dafeng (appointed on 22 March 2016)	C
Mr. FANG Jun	A/C
Ms. SHANGGUAN Qing (appointed on 22 March 2016)	C
Mr. TSANG Hing Lun	A/C
Mr. HAN Xiaojing	C
Mr. GU Yunchang (resigned on 20 March 2016)	C
Mr. WANG Zhifeng (appointed on 20 March 2016)	C
Mr. SUEN Man Tak	A/B/C
Mr. JIN Qingjun (appointed on 22 March 2016)	A/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:

	Number of meeting attend/held			
Directors	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Investment Committee Meeting**
Mr. LI Ming	–	–	2/2	1/1
Ms. LIU Hui (resigned on 22 March 2016)	–	–	–	0/0
Mr. LI Hu (appointed on 22 March 2016)	–	–	–	1/1
Mr. KWOK Kin Ho (resigned on 22 March 2016)	–	–	–	0/0
Mr. WANG Yeyi (appointed on 22 March 2016)	–	–	–	1/1
Mr. LI Hongbo (appointed on 22 March 2016)	–	–	–	1/1
Mr. YANG Zheng (resigned on 25 October 2016)	1/2	–	–	–
Mr. ZHAO Lijun (appointed on 25 October 2016)	0/0	–	–	–
Mr. FANG Jun	–	–	1/1	–
Mr. YANG Leyu (resigned on 22 March 2016)	1/1	–	–	–
Mr. YAO Dafeng (appointed on 22 March 2016)	1/1	–	–	–
Mr. TSANG Hing Lun	2/2	–	–	1/1
Mr. HAN Xiaojing	–	2/2	2/2	–
Mr. GU Yunchang (resigned on 20 March 2016)	0/1	0/1	0/1	–
Mr. WANG Zhifeng (appointed on 20 March 2016)	–	1/1	1/1	–
Mr. SUEN Man Tak	2/2	2/2	2/2	–
Mr. JIN Qingjun (appointed on 22 March 2016)	1/1	–	–	1/1

Audit Committee

After Mr. YANG Leyu and Mr. YANG Zheng resigned as a member of audit committee of the Company (the "Audit Committee") on 22 March 2016 and 25 October 2016 respectively, and Mr. YAO Dafeng, Mr. JIN Qingjun and Mr. ZHAO Lijun were appointed as a member of Audit Committee on 22 March 2016, 22 March 2016 and 25 October 2016 respectively, the Audit Committee consists of three INEDs and two non-executive Directors of the Company, namely Mr. TSANG Hing Lun, Mr. SUEN Man Tak, Mr. JIN Qingjun, Mr. ZHAO Lijun and Mr. YAO Dafeng. Mr. TSANG Hing Lun, 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 were revised on 25 January 2016 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 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 2016 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

After Mr. GU Yunchang resigned and Mr. WANG Zhifeng was appointed as a member of remuneration committee of the Company (the "Remuneration Committee") on 20 March 2016, the Remuneration Committee comprises three members, all being INEDs, namely Mr. HAN Xiaojing (the chairman of the committee), Mr. WANG Zhifeng and Mr. SUEN Man Tak.

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 payments of executive Directors and senior management, including benefits in kind, pension rights and compensation payments. Their written terms of reference are 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 2015 and the budget of the labour cost for the year ended 31 December 2016;

(ii) review and approval of the report of remuneration packages for senior management for the year ended 31 December 2016;

(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; and

(v) 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 53(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 HKD1,000,000	–
HKD1,000,001 to HKD2,000,000	1
HKD2,000,001 to HKD6,000,000	–
HKD6,000,001 to HKD7,000,000	1
HKD7,000,001 to HKD8,000,000	1
HKD8,000,001 to HKD9,000,000	2
HKD9,000,001 to HKD10,000,000	1
HKD10,000,001 or above	–

Nomination Committee

After Mr. GU Yunchang and Mr. FANG Jun resigned as a member of the nomination committee of the Company (the "Nomination Committee") on 20 March 2016 and 22 March 2016 respectively, and Mr. WANG Zhifeng was appointed as a member of Nomination Committee on 20 March 2016, the Nomination Committee comprises four members, being an executive Director, Mr. LI Ming, and three INEDs, namely Mr. HAN Xiaojing, Mr. WANG Zhifeng and Mr. SUEN Man Tak. 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 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:

(i) review the structure, size and composition of the Board and make recommendations on new candidates to the Board;

(ii) review and recommendation of the rotation of Directors pursuant to the Articles; and

(iii) 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, one of which is a female member. The Board is also characterised by significant diversity, whether considered in terms of gender, nationality, professional background and skills.

Investment Committee

After Ms. LIU Hui and Mr. KWOK Kin Ho resigned as a member of the investment committee of the Company (the "Investment Committee") on 22 March 2016 and Mr. LI Hu, Mr. WANG Yeyi, Mr. LI Hongbo and Mr. JIN Qingjun were appointed as a member of the Investment Committee on 22 March 2016, the Investment Committee comprises six members, being four executive Directors, namely Mr. LI Ming, Mr. LI Hu, Mr, WANG Yeyi and Mr, LI Hongbo, and two INEDs, namely Mr. TSANG Hing Lun and Mr. JIN Qingjun. Mr. LI Ming is the chairman of the 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 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 2016 is set out in the Independent Auditor's Report on page 129 to 133 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 will reports 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.

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 2016.

For the year ended 31 December 2016, 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

During the year under review, there was no change in the Articles.

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 matters, 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

SINO-OCEAN 遠洋集團

Annual Report 2016

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

Audit Committee

Mr. TSANG Hing Lun
Mr. ZHAO Lijun
Mr. YAO Dafeng
Mr. SUEN Man Tak
Mr. JIN Qingjun

Nomination Committee

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

Remuneration Committee

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

Investment Committee

Mr. LI Ming
Mr. LI Hu
Mr. WANG Yeyi
Mr. LI Hongbo
Mr. TSANG Hing Lun
Mr. JIN Qingjun

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.
China Bohai Bank Co., Ltd.
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
DBS Bank (Hong Kong) Ltd.
Hang Seng Bank Limited
Hua Xia Bank Co., Ltd
Industrial and Commercial Bank of China (Asia) Ltd.
Industrial and Commercial Bank of China, Ltd.
Postal Savings Bank of China Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
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 134 to 247, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- 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 2016, 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
Recoverability of entrusted loans to and amounts due from third parties, joint ventures, associates and non-controlling interests (collectively, the "Counterparties")	
Refer to note 22 to the consolidated financial statements As at 31 December 2016, the balance of entrusted loans to and amounts due from the Counterparties is RMB24,428 million. Such amounts were provided to the Counterparties for the launch and development of the projects of real estate. 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. 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.	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. 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. For each amount due from the Counterparties, we analysed the aging and checked the payment history and the subsequent repayment. 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. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 10 to the consolidated financial statements The Group's investment properties were measured at fair value and carried at RMB16,292 million as at 31 December 2016 with a fair value gain of RMB1,763 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. The Group's investment property portfolio mainly included completed investment properties in Mainland China, Hong Kong and the United States and investment properties under development in Mainland China. • Completed investment properties: the valuation of these 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. • Investment properties under development: the valuation of these was derived using the residual method, the relevant key assumptions included capitalization rates, prevailing market rents, development costs to completion and developer's profit margin. All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics of the Group. 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.	We assessed the competence, capabilities and objectivity of the Valuers. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied. We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, prevailing market rents, price per square feet and developer's profit margin 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. We assessed the consistency of development costs to completion, one of key assumptions used in valuation of investment property under development, with the management's approved budget, and assessed the reasonableness of the assumption by comparison with the historic actual cost of comparable completed investment properties of the Group. 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. In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were in the acceptable range.

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 HKSAs 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 HKSAs, 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, 30 March 2017

Consolidated Balance Sheet

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**896,922**	584,068
Land use rights	9	**53,788**	52,094
Investment properties	10	**16,292,128**	13,555,320
Goodwill	11	**128,227**	56,700
Investments in joint ventures	13	**10,859,178**	6,958,559
Investments in associates	14	**3,018,922**	2,773,307
Available-for-sale financial assets	17	**3,653,653**	3,306,136
Trade and other receivables	22	**9,419,822**	12,644,947
Deferred income tax assets	34	**1,110,453**	938,049
		45,433,093	40,869,180
Current assets			
Prepayments for land use rights	21	**5,983,061**	5,983,561
Properties under development	19	**33,900,115**	38,037,060
Inventories, at cost		**106,403**	80,371
Amounts due from customers for contract work	24	**538,571**	915,791
Land development cost recoverable	20	**1,987,353**	2,177,819
Completed properties held for sale	23	**18,058,115**	12,023,402
Financial assets at fair value through profit or loss	18	**355,228**	196,928
Trade and other receivables	22	**22,561,963**	24,174,723
Restricted bank deposits	25	**3,288,450**	3,456,473
Cash and cash equivalents	26	**19,052,833**	20,269,584
		105,832,092	107,315,712
Total assets		**151,265,185**	148,184,892
EQUITY			
Equity attributable to owners of the Company			
Capital	27	**26,920,490**	26,915,412
Shares held for Restricted Share Award Scheme	27	**(147,280)**	(32,366)
Reserves	29	**(359,691)**	(410,945)
Retained earnings	28	**17,585,122**	14,758,572
		43,998,641	41,230,673
Capital securities	31	**–**	2,532,866
Non-controlling interests		**5,331,239**	4,426,735
Total equity		**49,329,880**	48,190,274

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	33	**37,614,895**	43,360,054
Trade and other payables	35	**7,112**	13,377
Deferred income tax liabilities	34	**2,759,924**	2,071,835
		40,381,931	45,445,266
Current liabilities			
Borrowings	33	**6,194,924**	8,565,785
Trade and other payables	35	**33,844,502**	25,261,541
Advance receipts from customers	36	**16,085,465**	16,563,682
Income tax payable		**5,428,483**	4,158,344
		61,553,374	54,549,352
Total liabilities		**101,935,305**	99,994,618
Total equity and liabilities		**151,265,185**	148,184,892

Approved by the Board of Directors on 30 March 2017

LI Ming
Executive Director

SUM Pui Ying
Executive Director

The notes on pages 141 to 247 are an integral part of these consolidated financial statements.

Consolidated Income Statement

	Note	2016 RMB'000	2015 RMB'000
		Year ended 31 December	
Revenue	7	**34,551,239**	30,823,708
Cost of sales	39	**(26,914,966)**	(24,469,785)
Gross profit		**7,636,273**	6,353,923
Interest and other income	37	**1,508,226**	1,153,079
Other losses — net	38	**(85,876)**	(735,001)
Fair value gains on investment properties	10	**1,762,637**	703,443
Selling and marketing expenses	39	**(518,759)**	(549,517)
Administrative expenses	39	**(988,084)**	(850,940)
Operating profit		**9,314,417**	6,074,987
Finance costs	41	**(818,247)**	(701,179)
Share of results of joint ventures		**53,561**	(650,550)
Share of results of associates		**(42,024)**	(68,201)
Profit before income tax		**8,507,707**	4,655,057
Income tax expense	42	**(4,062,147)**	(2,403,724)
Profit for the year		**4,445,560**	2,251,333
Attributable to:			
Owners of the Company		**3,812,230**	2,383,715
Non-controlling interests		**633,330**	(132,382)
		4,445,560	2,251,333
Earnings per share attributable to owners of the Company during the year (expressed in RMB)			
Basic earnings per share	43	**0.493**	0.284
Diluted earnings per share	43	**0.493**	0.283

The notes on pages 141 to 247 are an integral part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Profit for the year		**4,445,560**	2,251,333
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value gains on available-for-sale financial assets		**281,212**	2,504
Reversal of fair value gains on available-for-sale financial assets due to the transfer from available-for-sale financial assets to associates	29	**(312,622)**	–
Currency translation differences		**(97,601)**	(46,149)
Share of other comprehensive income of investments accounted for using the equity method	29	**(34,427)**	(36,770)
Other comprehensive loss for the year		**(163,438)**	(80,415)
Total comprehensive income for the year		**4,282,122**	2,170,918
Total comprehensive income attributable to:			
— Owners of the Company		**3,637,380**	2,324,111
— Non-controlling interests		**644,742**	(153,193)
		4,282,122	2,170,918

The notes on pages 141 to 247 are an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

		Attributable to owners of the Company						Non-controlling interests		
	Note	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	Total equity 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	29	–	–	(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	29	–	–	(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		–	–	–	(319,091)	(319,091)	–	–	–	(319,091)
Dividends relating to 2016	44	–	–	–	(511,068)	(511,068)	–	–	(17,269)	(528,337)
Expenses on share-based payment	29	–	–	139,020	–	139,020	–	–	–	139,020
Transfer from retained earnings	29	–	–	44,443	(44,443)	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	1,196	–	(325)	–	871	–	–	200	1,071
Vesting of shares under Restricted Share Award Scheme	27	3,882	66,525	(70,407)	–	–	–	–	–	–
Purchase of shares for Restricted Share Award Scheme	27	–	(181,439)	–	–	(181,439)	–	–	–	(181,439)
Distribution relating to capital instrument		–	–	–	–	–	–	(210,575)	–	(210,575)
Distribution relating to capital securities	28	–	–	–	(111,078)	(111,078)	–	–	–	(111,078)
Issue of capital instrument	32	–	–	–	–	–	–	3,500,000	–	3,500,000
Repayment of capital instrument	32	–	–	–	–	–	–	(3,000,000)	–	(3,000,000)
Repurchase of capital securities	31	–	–	–	–	–	(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	49(a)	–	–	–	–	–	–	–	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	50	–	–	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

		Attributable to owners of the Company						Non-controlling interests		
	Note	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	Total equity RMB'000
Balance at 1 January 2015		26,708,812	(41,504)	(348,800)	14,172,343	40,490,851	2,532,866	–	1,359,276	44,382,993
Profit for the year		–	–	–	2,383,715	2,383,715	–	–	(132,382)	2,251,333
Fair value losses on available-for-sale financial assets		–	–	2,504	–	2,504	–	–	–	2,504
Currency translation differences		–	–	(25,338)	–	(25,338)	–	–	(20,811)	(46,149)
Share of other comprehensive income of investments accounted for using the equity method	29	–	–	(36,770)	–	(36,770)	–	–	–	(36,770)
Total other comprehensive income, net of tax		–	–	(59,604)	2,383,715	2,324,111	–	–	(153,193)	2,170,918
Transactions with owners of the company										
Dividends relating to 2014		9,474	–	–	(980,084)	(970,610)	–	–	–	(970,610)
Dividends relating to 2015	44	–	–	–	(464,478)	(464,478)	–	–	(15,701)	(480,179)
Expenses on share-based payment	29	–	–	90,227	–	90,227	–	–	–	90,227
Transfer from retained earnings	29	–	–	37,073	(37,073)	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	196,964	–	(56,210)	–	140,754	–	–	5,215	145,969
Vesting of shares under Restricted Share Award Scheme	27	162	73,460	(73,622)	–	–	–	–	–	–
Share buyback		–	–	–	(60,457)	(60,457)	–	–	–	(60,457)
Purchase of shares for Restricted Share Award Scheme	27	–	(64,322)	–	–	(64,322)	–	–	–	(64,322)
Distribution relating to capital securities	28	–	–	–	(255,394)	(255,394)	–	–	–	(255,394)
Issue of capital instrument	32	–	–	–	–	–	–	3,000,000	–	3,000,000
Contribution from non-controlling interests		–	–	–	–	–	–	–	231,629	231,629
Total contributions by and distributions to owners of the company		206,600	9,138	(2,532)	(1,797,486)	(1,584,280)	–	3,000,000	221,143	1,636,863
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries		–	–	(9)	–	(9)	–	–	(491)	(500)
Total transactions with owners of the company		206,600	9,138	(2,541)	(1,797,486)	(1,584,289)	–	3,000,000	220,652	1,636,363
Balance at 31 December 2015		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

The notes on pages 141 to 247 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	45	22,252,364	4,996,710
Others	36	1,426,310	4,815,809
Interest paid		(2,070,421)	(2,982,146)
Income tax paid		(2,636,480)	(1,586,896)
Net cash generated from operating activities		18,971,773	5,243,477
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(368,970)	(366,228)
Proceeds from sale of property, plant and equipment		15,374	6,648
Purchases of investment properties		(943,298)	(202,690)
Purchases of available-for-sale financial assets		(2,285,583)	(1,176,144)
Redemption of available-for-sale financial assets		22,363	–
Proceeds from disposal of available-for-sale financial assets		–	129,650
Dividends received from available-for-sale financial assets	37	78,742	2,858
Purchases of land use rights	9	(1,953)	(43,593)
Acquisition of subsidiaries, net of cash acquired	49	(554,456)	(839,232)
Proceeds from partial disposal of interests in a subsidiary, net of cash disposed	48(a)	410,559	705,924
Proceeds from disposal of entire interests of a subsidiary, net of cash disposed	48(b)	383,950	189,961
Proceeds from disposal of other subsidiaries		285,360	–
Capital injection to joint ventures	13	(4,625,141)	(3,003,408)
Proceeds from disposal of a joint venture		782,011	–
Capital injection to associates	14	(565,801)	(369,604)
Proceeds from disposal of interests in an associate		–	24,272
Dividends received from joint ventures and associates		23,903	–
Entrusted loans advanced		(6,299,338)	(27,675,862)
Repayment of entrusted loans		10,956,738	22,407,221
Interest received		1,223,830	1,084,658
Net cash used in investing activities		(1,461,710)	(9,125,569)
Cash flows from financing activities			
Proceeds from borrowings		11,505,902	40,710,967
Repayments of borrowings		(27,046,880)	(31,581,863)
Consideration paid for transactions with non-controlling interests		(41,611)	(500)
Capital injection from non-controlling interests		51,500	231,629
Dividends paid to non-controlling interests		(17,269)	(15,701)
Dividends paid to the shareholders of the Company		(830,159)	(1,435,088)
Distribution relating to capital securities	31	(111,078)	(255,394)
Repurchase of capital securities	31	(2,532,866)	–
Purchase of shares for Restricted Share Award Scheme		(181,439)	(64,322)
Share buybacks		–	(60,457)
Issue of shares pursuant to exercise of employee share options		1,071	145,969
Issue of capital instrument	32	3,500,000	3,000,000
Distribution relating to capital instrument		(210,575)	–
Repayment of capital instrument	32	(3,000,000)	–
Net cash (used in)/generated from financing activities		(18,913,404)	10,675,240
(Decrease)/increase in cash and cash equivalents		(1,403,341)	6,793,148
Cash and cash equivalents at beginning of the year	26	20,269,584	13,311,150
Exchange gains on cash and cash equivalents		186,590	165,286
Cash and cash equivalents at end of the year	26	19,052,833	20,269,584

The notes on pages 141 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 30 March 2017.

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 6.

3 KEY EVENTS

3.1 Sino-Ocean Land (Hong Kong) Limited, a wholly-owned subsidiary of the Company and its subsidiaries (together, "Sino-Ocean Hong Kong") were principally engaged in investments holding and property development in Hong Kong and the Mainland China. Prior to 2016, the functional currency of Sino-Ocean Hong Kong was RMB.

For the purpose of business and geographic segmentation, Sino-Ocean Hong Kong has undergone a restructuring, whereby the Mainland China-related investments and operations were shifted to a new platform set up by the Company. Thereafter, Sino-Ocean Hong Kong focuses on investing and financing activities in Hong Kong and overseas, with autonomous management team in Hong Kong.

Based on the changes in business and structure above, the functional currency of Sino-Ocean Hong Kong was changed from RMB to Hong Kong dollars effective from 2016.

3.2 In accordance with the Circular on the full implementation of Levying Value-added Tax ("VAT") in place of Business Tax (Caishui No. 36, 2016) (the "Circular") jointly issued by the Ministry of Finance and the State Administration of Taxation, taxpayers providing taxable services included in the Circular would be subject to VAT instead of business tax starting from 1 May 2016. The Group has applied the provisions stipulated in the Circular since 1 May 2016.

4 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.

4.1 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 2016 and which have no material impact on the Group:

Accounting for acquisitions of interests in joint operations — Amendments to HKFRS 11.

Clarification of acceptable methods of depreciation and amortisation — Amendments to HKAS 16 and HKAS 38.

Annual improvements to HKFRSs 2012–2014 cycle, and disclosure initiative — amendments to HKAS 1.

(b) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted

HKFRS 9, "Financial instruments"

The new standard 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.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the group include:

- equity instruments currently classified as AFS for which a FVOCI election is available

- equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under HKFRS 9

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Changes in accounting policy and disclosures (Continued)

(b) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted (Continued)

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 and the group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

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 relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The group does not intend to adopt HKFRS 9 before its mandatory date.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Changes in accounting policy and disclosures (Continued)

(b) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted (Continued)

HKFRS 15, "Revenue from contracts with customers"

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. The new standard is based on the principle that revenue is recognized 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.

Management is currently assessing the effects of applying the new standard on the group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognized as an asset under HKFRS 15, and

- rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the group does not intend to adopt the standard before its effective date.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognized 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 recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for group's operating leases. As at the reporting date, the group has immaterial non-cancellable operating lease commitments. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is 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.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Subsidiaries

4.2.1 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Subsidiaries (Continued)

4.2.1 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.

4.2.2 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.

4.3 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 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, 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.

4.5 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 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.

(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 4.14.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 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 4.10).

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 4.10). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

4.9 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 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.

4.11 Financial assets

4.11.1 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" (Note 4.15), "restricted bank deposit" and "cash and cash equivalents" (Note 4.16) in the balance sheet.

(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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial assets (Continued)

4.11.2 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.

4.12 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Impairment of financial assets (Continued)

(a) Assets carried at amortized cost (Continued)

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.

4.13 Land development cost recoverable

These costs refer to costs capitalized on primary land development projects, in preparation for such land to undergo the process of open market bidding. Primary land development works include demolitions and relocations, ground levelings, as well as the establishment of elementary public facilities. A fixed amount of compensation is usually agreed with respective governmental authorities for such works. Costs recoverable are recognized at cost, less provision for impairment.

4.14 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Inventories (Continued)

(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.

4.15 Trade and other receivables

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 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 are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 4.11 for further information about the group's accounting for trade receivables and Note 4.12 for a description of the group's impairment policies.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 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.

4.21 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.

4.21.1 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.

4.21.2 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21 Current and deferred income tax (Continued)

4.21.2 Deferred income tax (Continued)

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.

4.21.3 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.

4.22 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.23 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.

  Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. 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 (nominal value) and share premium, 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 premium.

  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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.24 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.

4.25 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 recognized 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 recognized. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognized 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 recognized 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 recognized as part of the cost of the investment in the financial statements of the company.

4.26 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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.26 Contract work (Continued)

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".

4.27 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.27 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.

4.28 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.

4.29 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.

5 FINANCIAL RISK MANAGEMENT

5.1 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 2016, 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 RMB657,012,000 lower/higher (2015: RMB556,546,000 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 2016 and 2015, 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 2016, 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 RMB10,872,000 (2015: RMB7,642,000).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sales 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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (Continued)

(c) Liquidity risk

Cash flow forecast 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 forecast 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 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 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**
At 31 December 2015					
Borrowings	11,621,154	10,736,676	19,379,510	23,285,046	65,022,386
Trade and other payables excluding statutory liabilities	24,704,784	–	13,377	–	24,718,161
	36,325,938	10,736,676	19,392,887	23,285,046	89,740,547

5.2 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. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Capital risk management (Continued)

The gearing ratios at 31 December 2016 and 2015 were as follows.

	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
Total borrowings (Note 33)	**43,809,819**	51,925,839
Less: cash and cash equivalents (Note 26)	**(19,052,833)**	(20,269,584)
Net debt	**24,756,986**	31,656,255
Total equity	**49,329,880**	48,190,274
Total capital	**74,086,866**	79,846,529
Gearing ratio	**33%**	40%

The decrease in the gearing ratio during 2016 resulted from decrease of total borrowings and increase of total equity.

5.3 Fair value estimation

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

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

(b) 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).

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

The following table presents the Group's assets that are measured at fair value at 31 December 2016 and 2015. See Note 10 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 2016				
Financial assets at fair value through profit or loss (Note 18)	**190,780**	**164,448**	**–**	**355,228**
Available-for-sale financial assets:				
— listed equity securities (Note 17)	**161,985**	**–**	**–**	**161,985**
— equity fund investments (Note 17)	**–**	**970,939**	**1,141,685**	**2,112,624**
— other unlisted equity securities (Note 17)	**–**	**588,225**	**658,490**	**1,246,715**
— others (Note 17)	**–**	**–**	**132,329**	**132,329**
	352,765	**1,723,612**	**1,932,504**	**4,008,881**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
At 31 December 2015				
Financial assets at fair value through profit or loss (Note 18)	196,928	–	–	196,928
Available-for-sale financial assets:				
— equity fund investments (Note 17)	–	793,346	2,069,528	2,862,874
— other unlisted equity securities (Note 17)	–	–	365,420	365,420
— others (Note 17)	–	–	77,842	77,842
	196,928	793,346	2,512,790	3,503,064

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.

(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.

(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.

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

Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

(c) Financial instruments in Level 3

Level 3 investments in unlisted equity securities are fair valued at net assets values, which represents the fair values of the Level 3 investments. The higher the net assets value of respective securities, the higher the fair values. Level 3 investments in unlisted debt securities are fair valued using a discounted cash flow approach and the discounted rate is mainly determined by counterparty credit risk.

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 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 (Note 48(b))	**(1,000,000)**
Closing balance	**1,932,504**

The following table presents the changes in Level 3 instruments for the year ended 31 December 2015.

	Available-for-sale financial assets equity securities RMB'000
Financial assets in Level 3	
Opening balance	1,442,334
Additions	1,090,564
Disposals	(20,700)
Gains recognized in equity	592
Closing balance	2,512,790

6 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 10.

(b) Estimate of fair value of employee share options

Up till 31 December 2016, fair value of employee share options issued by the Group is assessed by an independent qualified valuer, DTZ Cushman & Wakefield Limited at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

(c) 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.

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.

(d) 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.

(e) 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.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 4.27. 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 46, 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.

(g) 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 4.10. 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 2016, based on such reviews the directors have determined that certain of Group's properties under development (Note 19) and completed properties held for sale (Note 23) were impaired, and relevant provision had been made.

(h) 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 2016, based on such reviews the directors have determined that certain of Group's trade receivables (Note 22) were impaired, and relevant provision had been made.

7 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.

7 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Committee for the reportable segments for the years ended 31 December 2016 and 2015 is as follows:

	Property development								
	Beijing-Tianjin-Hebei RMB'000	Northeast RMB'000	Central RMB'000	Southern RMB'000	Investment property RMB'000	All other segments RMB'000	Total RMB'000	Inter-company elimination RMB'000	Total RMB'000
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	–	37,638,401
Inter-segment revenue	–	–	(48,705)	(137,255)	(10,041)	(2,891,161)	(3,087,162)	–	(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	–	34,551,239
Segment operating profit	3,911,303	785,831	736,113	908,589	765,942	2,220,233	9,328,011	(1,317,728)	8,010,283
Depreciation and amortization (Note 39)	(1,054)	(1,099)	(1,180)	(2,518)	(1,163)	(38,279)	(45,293)	–	(45,293)
Income tax expense (Note 42)	(2,153,210)	(332,325)	(367,122)	(402,857)	(444,495)	(362,138)	(4,062,147)	–	(4,062,147)
Finance income	162,766	236,424	169,489	193,554	280,474	1,785,634	2,828,341	(1,552,378)	1,275,963
Year ended 31 December 2015									
Total revenue	11,396,842	4,711,753	4,323,923	6,662,073	773,015	5,454,180	33,321,786	–	33,321,786
Inter-segment revenue	–	–	–	–	(6,376)	(2,491,702)	(2,498,078)	–	(2,498,078)
Revenue (from external customers)	11,396,842	4,711,753	4,323,923	6,662,073	766,639	2,962,478	30,823,708	–	30,823,708
Segment operating profit	2,425,607	287,006	996,463	1,242,743	746,478	1,211,542	6,909,839	(1,302,444)	5,607,395
Depreciation and amortization (Note 39)	(1,398)	(859)	(1,351)	(2,452)	(1,829)	(34,951)	(42,840)	–	(42,840)
Income tax expense (Note 42)	(733,649)	(135,581)	(238,912)	(726,437)	(171,723)	(397,422)	(2,403,724)	–	(2,403,724)
Finance income	121,997	269,168	183,388	198,877	64,437	1,698,166	2,536,033	(1,562,561)	973,472
As at 31 December 2016									
Total segment assets	36,541,134	21,978,414	21,503,191	14,608,805	27,383,511	178,656,573	300,671,628	(170,364,203)	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	–	3,079,198
Total segment liabilities	23,617,744	6,881,608	9,556,840	8,779,978	6,033,054	167,531,511	222,400,735	(167,035,173)	55,365,562
As at 31 December 2015									
Total segment assets	36,324,347	28,208,531	17,198,356	15,530,484	26,081,792	175,078,824	298,422,334	(167,706,989)	130,715,345
Additions to non-current assets (other than financial instruments and deferred income tax assets)	827	775	1,014	2,084	1,664,079	404,761	2,073,540	–	2,073,540
Total segment liabilities	23,131,306	9,193,651	4,232,325	9,389,292	5,582,970	159,788,800	211,318,344	(165,321,400)	45,996,944

7 SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Segment operating profit	**8,010,283**	5,607,395
Corporate finance income	**119,819**	149,764
Corporate overheads	**(578,322)**	(385,615)
Fair value gains on investment properties (Note 10)	**1,762,637**	703,443
Share of results of joint ventures	**53,561**	(650,550)
Share of results of associates	**(42,024)**	(68,201)
Finance costs (Note 41)	**(818,247)**	(701,179)
Profit before income tax	**8,507,707**	4,655,057

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total segment assets	**130,307,425**	130,715,345
Corporate cash and cash equivalents	**1,960,326**	3,296,568
Investments in joint ventures (Note 13)	**10,859,178**	6,958,559
Investments in associates (Note14)	**3,018,922**	2,773,307
Available-for-sale financial assets (Note 17)	**3,653,653**	3,306,136
Financial assets at fair value through profit or loss (Note 18)	**355,228**	196,928
Deferred income tax assets (Note 34)	**1,110,453**	938,049
Total assets per consolidated balance sheet	**151,265,185**	148,184,892
Total segment liabilities	**55,365,562**	45,996,944
Current borrowings (Note 33)	**6,194,924**	8,565,785
Non-current borrowings (Note 33)	**37,614,895**	43,360,054
Deferred income tax liabilities (Note 34)	**2,759,924**	2,071,835
Total liabilities per consolidated balance sheet	**101,935,305**	99,994,618

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 2016 and 2015.

As at 31 December 2016, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB30,608,311,000 (2015: RMB23,534,447,000), the total of these non-current assets located in Hong Kong and the United States is RMB640,854,000 (2015: RMB445,601,000).

For the year ended 31 December 2016 and 2015, the Group does not have any single customer with the transaction value over 10% of the total external sales.

8 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 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 (Note 49)	–	–	**1,863**	**366**	**111**	–	**2,340**
Disposals	**(4,698)**	**(141)**	**(1,781)**	**(6,159)**	**(81)**	–	**(12,860)**
Depreciation charge (Note 39)	**(4,562)**	**(423)**	**(5,883)**	**(25,111)**	**(9,055)**	–	**(45,034)**
Disposal of a subsidiary (Note 48(a))	–	–	**(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**
Year ended 31 December 2015							
Opening net book amount	166,652	6,227	20,903	34,815	35,097	–	263,694
Additions	6,351	176	6,325	43,507	5,183	304,686	366,228
Acquisition of a subsidiary	–	–	134	–	127	–	261
Disposals	(417)	(24)	(1,241)	(641)	(452)	–	(2,775)
Depreciation charge (Note 39)	(3,858)	(350)	(5,749)	(24,765)	(7,880)	–	(42,602)
Disposals of subsidiaries	–	–	(651)	(71)	(16)	–	(738)
Closing net book amount	168,728	6,029	19,721	52,845	32,059	304,686	584,068
At 31 December 2015							
Cost	251,988	11,603	66,160	127,856	78,358	304,686	840,651
Accumulated depreciation	(83,260)	(5,574)	(46,439)	(75,011)	(46,299)	–	(256,583)
Net book amount	168,728	6,029	19,721	52,845	32,059	304,686	584,068

Depreciation expense of RMB30,462,000 (2015: RMB29,848,000) has been charged in "cost of sales", RMB14,572,000 (2015: RMB12,754,000) in "administrative expenses".

Construction in progress as at 31 December 2016 and 2015 represents a building being constructed in Shanghai and Beijing with intent use of senior housing or health care related services.

9 LAND USE RIGHTS

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	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**52,094**	8,739
Addition	**1,953**	43,593
Amortization charge (Note 39)	**(259)**	(238)
At end of the year	**53,788**	52,094

10 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	**Investment properties under development RMB'000**	**Total RMB'000**
At fair value			
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**
Year ended 31 December 2015			
At beginning of the year	10,872,712	1,010,000	11,882,712
Additions	–	202,690	202,690
Others	(16,334)	–	(16,334)
Transfer from completed properties held for sale	757,325	–	757,325
Currency translation differences	25,484	–	25,484
Fair value gains	586,133	117,310	703,443
At end of the year	12,225,320	1,330,000	13,555,320

10 INVESTMENT PROPERTIES (CONTINUED)

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Rental income (Note 7)	**885,639**	766,639
Direct operating expenses arising from investment properties that generate rental income	**(94,591)**	(86,556)
Direct operating expenses that did not generate rental income	**(52,477)**	(40,359)
	738,571	639,724

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: nil).

(b) Valuation basis

Fair value measurements using significant unobservable inputs

	31 December 2016							
	Completed investment properties						Investment properties under development	
	Beijing	Tianjin	Dalian	Hong Kong	United States	Sub total	Hangzhou	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

10 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

	31 December 2015							
	Completed investment properties						Investment properties under development	
	Beijing	Tianjin	Dalian	Hong Kong	United States	Sub total	Hangzhou	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January	9,411,530	1,052,000	–	251,617	157,565	10,872,712	1,010,000	11,882,712
Additions	–	–	–	–	–	–	202,690	202,690
Others	(7,038)	(9,296)	–	–	–	(16,334)	–	(16,334)
Transfer from completed properties held for sale	311,968	–	445,357	–	–	757,325	–	757,325
Currency translation differences	–	–	–	15,754	9,730	25,484	–	25,484
Net gains or losses from fair value adjustment	528,282	25,296	24,643	5,075	2,837	586,133	117,310	703,443
Closing balance as at 31 December	10,244,742	1,068,000	470,000	272,446	170,132	12,225,320	1,330,000	13,555,320
Total gains or losses for the year ended 31 December 2015 included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	528,282	25,296	24,643	5,075	2,837	586,133	117,310	703,443
Change in unrealized gains or losses for the year ended 31 December 2015 included in profit or loss for assets held at the end of the year	528,282	25,296	24,643	5,075	2,837	586,133	117,310	703,443

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.

10 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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 2016. 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.

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 and Hong Kong 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 properties 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.

10 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Significant unobservable inputs used to determine fair value

Description	Fair value at 31 Dec 2016 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs: Prevailing market rents	Capitalization rates (%)	Premium or discount for quality of properties(%)
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 RMB470 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 to16.00
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

10 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Significant unobservable inputs used to determine fair value (Continued)

Description	Fair value at 31 Dec 2015 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs: Prevailing market rents	Capitalization rates (%)	Premium or discount for quality of properties(%)
Completed investment properties — Beijing	10,244,742	Income capitalization	RMB41 to RMB725 per month per square meter	6.00 to 9.25	N/A
Completed investment properties — Tianjin	1,068,000	Income capitalization	RMB139 to RMB465 per month per square meter	7.00 to 7.50	N/A
Completed investment properties — Dalian	470,000	Income capitalization	RMB61 to RMB122 per month per square meter	6.50	N/A
Completed investment properties — Hong Kong	272,446	Income capitalization	HKD45 to HKD55 per month per square feet	2.90 to 3.40	N/A
Completed investment properties — United States	170,132	Comparison approach	N/A	N/A	0.30 to 7.00
Investment properties under development — Hangzhou	1,330,000	Residual	RMB100 to RMB337 per month per square meter	4.00 to 7.50	N/A

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 2016 and 2015, investment properties of the Group with carrying values of RMB10,815,642,000 and RMB10,980,199,000 , respectively, were pledged as collateral for the Group's borrowings (Note 33).

10 INVESTMENT PROPERTIES (CONTINUED)

(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	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**811,175**	752,533
Between 1 to 5 years	**1,442,909**	1,407,922
After 5 years	**698,855**	755,340
	2,952,939	2,915,795

11 GOODWILL

	RMB'000
Year ended 31 December 2016	
Opening net book amount	**56,700**
Acquisition of subsidiaries (Note 49(b)(c))	**208,482**
Goodwill related to properties sold, charged to cost of sales	**(136,955)**
Closing net book amount	**128,227**
At 31 December 2016	
Cost	**1,092,149**
Goodwill related to properties sold, charged to cost of sales	**(838,395)**
Impairment charge (i)	**(125,527)**
Net book amount	**128,227**
Year ended 31 December 2015	
Opening net book amount	206,349
Goodwill related to properties sold, charged to cost of sales	(149,649)
Closing net book amount	56,700
At 31 December 2015	
Cost	883,668
Goodwill related to properties sold, charged to cost of sales	(701,441)
Impairment charge (i)	(125,527)
Net book amount	56,700

11 GOODWILL (CONTINUED)

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	
	2016	2015
	RMB'000	RMB'000
Property development	**128,227**	54,365
Others	–	2,335
	128,227	56,700

The recoverable amount of a cash-generating unit is determined based on fair value less cost to sell calculation. These calculations use observable market prices for the units.

(i) This represented impairment provision made for the entire goodwill recognized in 2010 arising from the acquisition of Gemini Investments (Holdings) Limited ("Gemini"), a company incorporated in Hong Kong, whose shares are listed on the Main Board of The Hong Kong Stock Exchange Limited. Such provision was made due to (i) the expected benefits from economies of scale at time of acquisition has not happened and (ii) the uncertainties of crystallization of such economics of scale in the foreseeable future. None of the goodwill impairment is expected to be deductible for income tax purposes.

12 SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2016 which, in the opinion of the directors, materially affect the results or assets of the Group:

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016 directly	indirectly	Principal activities
(1)	Sino-Ocean Land Limited 遠洋地產有限公司	PRC	Limited liability company	RMB7,064,870	–	100%	Property development
(2)	遠洋國際建設有限公司	PRC	Limited liability company	RMB600,000	–	100%	Renovation service
(3)	北京遠盛置地有限公司	PRC	Limited liability Company	RMB100,000	–	100%	Property development
(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	RMB500,000	–	100%	Property development
(5)	北京萬洋世紀創業投資管理有限公司	PRC	Limited liability Company	RMB341,000	–	100%	Consultant service
(6)	北京碧城創業投資管理有限公司	PRC	Limited liability Company	RMB336,000	–	100%	Consultant service

12 SUBSIDIARIES (CONTINUED)

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016 directly	indirectly	Principal activities
(7)	Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司	PRC	Limited liability Company	RMB300,000	–	100%	Investment holdings
(8)	Beijing Yuan Yang Building Co., Ltd. ("Beijing Yuan Yang Building") 北京遠洋大廈有限公司	PRC	Limited liability Company	USD30,000	–	72%	Investment property
(9)	遠洋園林工程有限公司	PRC	Limited liability Company	RMB200,000	–	100%	Renovation service
(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	RMB100,000	–	75%	Land development
(11)	Beijing De Jun Land Development Company Limited 北京德俊置業有限公司	PRC	Limited liability Company	RMB90,000	–	100%	Property development
(12)	Beijing Dong Long Real Estate Development Co., Ltd. ("Beijing Dong Long") 北京東隆房地產開發有限公司	PRC	Limited liability Company	USD12,370	–	85.72%	Property development
(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	RMB75,000	–	100%	Land development
(14)	Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司	PRC	Limited liability Company	RMB60,000	–	100%	Property development
(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	RMB30,000	–	100%	Property development
(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	RMB30,000	–	100%	Property development

12 SUBSIDIARIES (CONTINUED)

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016 directly	indirectly	Principal activities
(17)	北京遠東新地置業有限公司	PRC	Limited liability Company	RMB30,000	–	100%	Property development
(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	RMB10,000	–	100%	Investment holdings
(19)	Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	PRC	Limited liability Company	RMB10,000	–	100%	Property development
(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	RMB420,000	–	100%	Property development
(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	RMB400,000	–	100%	Property development
(22)	Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產（天津）有限公司	PRC	Limited liability Company	RMB170,000	–	100%	Investment holding
(23)	天津宇華房地產開發有限公司	PRC	Limited liability Company	RMB100,000	–	100%	Property development
(24)	Tianjin Yuanying Real Estate Development Company, Limited 天津市遠贏置業有限公司	PRC	Limited liability Company	RMB30,000	–	100%	Property development
(25)	大連新悅置業有限公司	PRC	Limited liability Company	USD241,000	–	100%	Property development
(26)	大連滙洋置業有限公司	PRC	Limited liability Company	USD166,122	–	100%	Property development
(27)	大連廣宇置業有限公司	PRC	Limited liability Company	USD363,200	–	100%	Property development
(28)	大連世甲置業有限公司	PRC	Limited liability Company	USD167,850	–	100%	Property development

12 SUBSIDIARIES (CONTINUED)

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016 directly	indirectly	Principal activities
(29)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	PRC	Limited liability Company	USD80,000	–	100%	Property development
(30)	大連永圖置業有限公司	PRC	Wholly foreign owned enterprise	USD119,500	–	100%	Property development
(31)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	PRC	Sino-foreign equity joint venture	USD76,860	–	100%	Property development
(32)	大連至遠置業有限公司	PRC	Wholly foreign owned enterprise	USD69,754	–	100%	Property development
(33)	大連源豐置業有限公司	PRC	Sino-foreign equity joint venture	USD50,700	–	100%	Property development
(34)	大連遠佳產業園開發有限公司	PRC	Wholly foreign owned enterprise	USD35,000	–	100%	Property development
(35)	Dalian Kaimeng Real Estate Co., Ltd. 大連凱盟房地產開發有限公司	PRC	Limited liability Company	RMB150,000	–	100%	Property development
(36)	大連通遠房地產開發有限公司	PRC	Limited liability Company	RMB8,000	–	100%	Land development
(37)	遠洋地產（遼寧）有限公司	PRC	Limited liability Company	RMB20,000	–	100%	Property development
(38)	長春東方聯合置業有限公司	PRC	Limited liability Company	RMB200,000	–	100%	Property development
(39)	青島遠豪置業有限公司	PRC	Limited liability Company	RMB150,000	–	100%	Property development
(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	USD147,760	–	100%	Property development

12 SUBSIDIARIES (CONTINUED)

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016 directly	indirectly	Principal activities
(41)	杭州遠洋運河商務區開發有限公司	PRC	Sino-foreign equity joint venture	USD143,210	–	100%	Property development
(42)	杭州遠洋新河酒店置業有限公司	PRC	Sino-foreign equity joint venture	USD132,590	–	100%	Property development
(43)	杭州德遠瑞祥置業有限公司	PRC	Limited liability Company	RMB723,000	–	100%	Property development
(44)	遠洋地產（上海）有限公司	PRC	Limited liability Company	RMB20,000	–	100%	Property development
(45)	上海遠望置業有限公司	PRC	Limited liability Company	RMB20,000	–	100%	Property development
(46)	黃山東方紅影視產業投資有限公司	PRC	Limited liability Company	RMB158,000	–	100%	Property development
(47)	遠洋地產（中山）開發有限公司	PRC	Sino-foreign equity joint venture	RMB720,000	–	100%	Property development
(48)	中山市遠見房地產開發有限公司	PRC	Limited liability Company	RMB30,000	–	100%	Property development
(49)	天基房地產開發（深圳）有限公司	PRC	Limited liability Company	HKD160,000	–	84.70%	Property development
(50)	三亞南國奧林匹克花園有限公司	PRC	Limited liability Company	RMB64,100	–	100%	Property development
(51)	三亞棠棣莊園投資有限公司	PRC	Limited liability Company	RMB64,000	–	75%	Property development
(52)	海南浙江椰香村建設開發有限公司	PRC	Limited liability Company	RMB15,000	–	100%	Property development
(53)	武漢弘福置業有限公司	PRC	Limited liability Company	RMB45,000	–	55%	Property development

12 SUBSIDIARIES (CONTINUED)

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016 directly	indirectly	Principal activities
(54)	重慶國際高爾夫俱樂部有限公司	PRC	Limited liability Company	RMB96,290	–	85%	Land development
(55)	北京天江通睿置業有限公司	PRC	Limited liability Company	RMB4,123,112	–	100%	Property development
(56)	天津遠頤房地產開發有限公司	PRC	Limited liability Company	RMB50,000	–	100%	Property development
(57)	北京遠旭股權投資基金管理有限公司	PRC	Limited liability Company	RMB110,000	–	100%	Investment management
(58)	大連利遠置業有限公司	PRC	Limited liability Company	USD143,410	–	100%	Property development
(59)	中山市遠恒房地產開發有限公司	PRC	Limited liability Company	RMB50,000	–	51%	Property development
(60)	遠洋養老運營管理有限公司	PRC	Limited liability Company	RMB60,000	–	100%	Pension service
(61)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司	PRC	Limited liability Company	RMB600,000	–	100%	Property development
(62)	大連宏宇置業有限公司	PRC	Limited liability Company	RMB50,000	–	100%	Property development
(63)	北京遠山置業有限公司	PRC	Limited liability Company	RMB50,000	–	100%	Property development
(64)	中山市盛信房地產開發有限公司	PRC	Limited liability Company	RMB28,000	–	51%	Property development
(65)	中山市博信房地產開發有限公司	PRC	Limited liability Company	RMB30,000	–	51%	Property development
(66)	盈創再生資源有限公司	PRC	Limited liability Company	RMB361,670	–	92.53%	Environmental technology

12 SUBSIDIARIES (CONTINUED)

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016		Principal activities
					directly	indirectly	
(67)	青島遠旭置業有限公司	PRC	Limited liability Company	RMB10,000	–	70%	Property development
(68)	中山市大信彩虹家園房地產開發有限公司	PRC	Limited liability Company	RMB20,000	–	51%	Property development
(69)	青島遠洋華歐置業有限公司	PRC	Limited liability Company	RMB10,000	–	100%	Property development
(70)	悅軒（天津）置業投資有限公司	PRC	Limited liability Company	RMB350,000	–	100%	Property development
(71)	上海銳盈置業有限公司	PRC	Limited liability Company	RMB106,971	–	100%	Property development
(72)	深圳市樂安房地產有限公司	PRC	Limited Company	RMB50,000	–	85%	Property development
(73)	杭州雨潤華府房地產有限公司	PRC	Limited liability Company	RMB50,000	–	100%	Property development
(74)	南京勳遠置業有限公司	PRC	Limited liability Company	RMB886,000	–	100%	Property development
(75)	杭州遠鼎盛安置業有限公司	PRC	Limited liability Company	RMB444,140	–	51%	Property development
(76)	北京遠新資產管理有限公司	PRC	Limited liability Company	RMB20,000	–	100%	Investment property
(77)	北京遠捷投資顧問有限公司	PRC	Limited liability Company	RMB10,000	–	100%	Investment management
(78)	北京遠琅投資顧問有限公司	PRC	Limited liability Company	RMB10,000	–	100%	Investment management
(79)	中山市彩虹投資管理有限公司	PRC	Limited liability Company	RMB–	–	100%	Investment management

12 SUBSIDIARIES (CONTINUED)

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016 directly	indirectly	Principal activities
(80)	北京市佳利華經濟開發有限責任公司	PRC	Limited liability Company	RMB30,000	–	100%	Senior housing service
(81)	遠洋健康醫療投資管理（北京）有限公司	PRC	Limited liability Company	RMB10,000	–	65%	Health & medical service
(82)	Ocean Homeplus Property Service Corporation Limited 遠洋億家物業服務股份有限公司	PRC	Limited liability Company	RMB100,000	–	100%	Property Management
(83)	上海遠匯置業有限公司	PRC	Limited liability Company	RMB2,200,000	–	100%	Property development
(84)	深圳市金楓房地產開發有限公司	PRC	Limited liability Company	RMB–	–	80%	Property development
(85)	深圳市高誠達投資發展有限公司	PRC	Limited liability Company	RMB1,000	–	80%	Property development
(86)	三亞德商房地產開發有限公司	PRC	Limited liability Company	USD30,000	–	98.27%	Property development
(87)	北京信馳置業有限公司	PRC	Limited liability Company	RMB10,000	–	100%	Property development
(88)	南京金遠置業有限公司	PRC	Limited liability Company	RMB8,000	–	70%	Property development
(89)	杭州宸遠招盛置業有限公司	PRC	Limited liability Company	RMB100,000	–	50%	Property development
(90)	上海椿萱茂養老服務有限公司	PRC	Limited liability Company	RMB–	–	100%	Health & medical service
(91)	安徽遠順投資管理有限公司	PRC	Limited liability Company	RMB1,000	–	100%	Investment management
(92)	Gemini Investments (Holdings) Limited 盛洋投資（控股）有限公司	Hong Kong	HK Listed Company	HKD22,550	–	69.29%	Investment holding

12 SUBSIDIARIES (CONTINUED)

	Name	Country/ place of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016 directly	indirectly	Principal activities
(93)	Sino-Ocean Land Capital Investment Limited 遠洋地產資本投資有限公司	BVI	Limited Company	USD50	100%	–	Investment holding
(94)	Shine Wind Development Limited 耀勝發展有限公司	BVI	Limited Company	USD10	100%	–	Investment holding
(95)	Sino-Ocean Land (Hong Kong) Limited 遠洋地產（香港）有限公司	Hong Kong	Limited Company	HKD10	–	100%	Investment holding
(96)	Mission Success Limited 穎博有限公司	Hong Kong	Limited Company	HKD–	–	100%	Investment holding
(97)	Dynamic Class Limited 昇能有限公司	Hong Kong	Limited Company	HKD–	–	100%	Investment holding
(98)	Mega Precise Profits Limited	BVI	Limited Company	USD–	–	100%	Investment holding
(99)	Smart State Properties Limited	BVI	Limited Company	USD–	–	100%	Investment holding
(100)	Faith Ocean International Limited 信洋國際有限公司	BVI	Limited Company	USD–	–	100%	Investment holding
(101)	World Luck Corporation Limited 寰福有限公司	Hong Kong	Limited Company	HKD–	–	100%	Investment holding
(102)	Fame Gain Holdings Limited 名得控股有限公司	BVI	Limited Company	USD–	–	100%	Investment holding
(103)	Sino-Ocean Land Property development Limited 遠洋地產國際發展有限公司	Hong Kong	Limited Company	HKD20	–	100%	Investment holding
(104)	Fast Fame Capital Investment Limited 迅榮創富有限公司	Hong Kong	Limited Company	HKD–	–	100%	Investment holding

12 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests

The total non-controlling interest for the year amounted to RMB633,333,000 which mainly consists of the profit of RMB137,797,000 and the profit of RMB235,290,000, deriving from Beijing Yuan Yang Building and Beijing Donglong, in which non-controlling interest owned 28.00% and 14.28%, respectively. The non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits held by Beijing Yuan Yang Building and Beijing Donglong amounted to RMB1,080,642,000 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

	Beijing Yuan Yang Building		Beijing Donglong	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Assets	**358,079**	275,418	**4,688,986**	6,188,626
Liabilities	**(44,911)**	(33,055)	**(5,044,460)**	(6,035,325)
Total current net assets	**313,168**	242,363	**(355,474)**	153,301
Non-current				
Assets	**1,966,614**	1,484,449	**2,423,739**	1,911,830
Liabilities	**(433,198)**	(310,685)	**–**	–
Total non-current net assets	**1,533,416**	1,173,764	**2,423,739**	1,911,830
Net assets	**1,846,584**	1,416,127	**2,068,265**	2,065,131

Summarized income statement

	Beijing Yuan Yang Building		Beijing Donglong	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**172,831**	131,834	**5,040,147**	2,260,707
Profit before income tax	**656,583**	196,628	**3,325,378**	1,158,409
Income tax expense	**(164,452)**	(49,311)	**(1,677,692)**	(537,547)
Post-tax profit	**492,131**	147,317	**1,647,686**	620,862
Total comprehensive income	**492,131**	147,317	**1,647,686**	620,862
Total comprehensive income allocated to non- controlling Interests	**137,797**	41,249	**235,290**	88,659

12 SUBSIDIARIES (CONTINUED)

Summarized cash flows

	Beijing Yuan Yang Building		Beijing Donglong	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities				
Cash generated from operations	**182,053**	134,268	**4,127,041**	1,902,635
Interest paid	–	–	–	(44,299)
Income tax paid	**(55,575)**	(42,330)	**(648,805)**	(235,864)
Net cash generated from operating activities	**126,478**	91,938	**3,478,236**	1,622,472
Net cash used in investing activities	**(65,611)**	(34,259)	**(1,521,479)**	(353,282)
Net cash used in financing activities	**(61,675)**	(55,764)	**(1,476,149)**	(1,070,000)
Net (decrease)/increase in cash and cash equivalents	**(808)**	1,915	**480,608**	199,190
Cash and cash equivalents at beginning of the year	**2,946**	1,031	**597,896**	398,706
Exchange gains on cash and cash equivalents	–	–	–	–
Cash and cash equivalents at end of the year	**2,138**	2,946	**1,078,504**	597,896

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

13 INVESTMENTS IN JOINT VENTURES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**6,958,559**	3,720,215
Capital injection	**4,625,141**	3,003,408
Transfer from investments in associates	–	1,109,472
Dividend	**(22,153)**	–
Disposal	**(788,410)**	–
Deemed disposal of joint ventures	**(9,988)**	–
Increase due to partial disposal of interests in a subsidiary (Note 48(a))	**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	**(24,966)**	(848,120)
Share of other equity movement of equity accounted investee	**(34,427)**	(88,163)
Currency translation difference	**55,501**	61,747
At end of the year	**10,859,178**	6,958,559

13 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(a) Following are the details of the main joint ventures held by the Group as at 31 December 2016, 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 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	RMB400,000	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	RMB635,267	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	RMB8,000	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	RMB1,000	51%	(i), (v)	Business Management
(5)	Beijing Yuanjian Nursing Service Co. Ltd. 北京遠健養老服務有限公司	PRC	Limited liability Company	RMB20,000	50%	(v)	Nursing service for the aged
(6)	Welfare Lottery Advertisement (Beijing) Co., Ltd. 福彩廣告(北京)有限公司	PRC	Limited liability Company	RMB20,000	60.2%	(i), (v)	Advertisement
(7)	北京遠騰置業有限公司	PRC	Limited liability Company	RMB20,000	50%	(iii)	Land and property development
(8)	深圳市遠盛業投資有限公司	PRC	Limited liability Company	HKD120,000	55%	(i), (iv)	Investment management
(9)	北京遠洋新光商業管理有限公司	PRC	Limited liability Company	RMB5,000	50%	(iv)	Investment management
(10)	北京遠新房地產開發有限公司	PRC	Limited liability Company	RMB100,000	50%	(iii)	Land and property development
(11)	北京遠洋新揚子資產管理有限公司	PRC	Limited liability Company	RMB2,000	50%	(iv)	Investment management
(12)	鴻基偉業(北京)房地產開發有限公司	PRC	Limited liability Company	RMB20,000	50%	(iii)	Land and property development

13 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(a) Following are the details of the main joint ventures held by the Group as at 31 December 2016, 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 2016	Nature of relationship	Principal activities
(13)	北京遠創置業有限公司	PRC	Limited liability Company	RMB300,000	75%	(i), (iii)	Land and property development
(14)	Beijing Yuan'ao Real Estate Company Limited 北京遠奧置業有限公司	PRC	Limited liability Company	RMB12,000	67.50%	(i), (iii)	Land and property development
(15)	北京房地鑫洋房地產開發有限公司	PRC	Limited liability Company	RMB30,000	30%	(ii), (iii)	Land and property development
(16)	廣州市遠翔房地產開發有限公司	PRC	Limited liability Company	RMB1,125,764	30%	(ii), (iii)	Land and property development
(17)	Tianjin Yijiahe Real Estate Company Limited 天津市億嘉合置業有限公司	PRC	Limited liability Company	RMB80,000	51%	(i), (iii)	Land and property development
(18)	天津濱海房地產經營有限公司	PRC	Limited liability Company	RMB100,000	55%	(i), (iii)	Land and property development
(19)	南京綠洋置業有限公司	PRC	Limited liability Company	RMB20,000	50%	(iii)	Land and property development
(20)	Gemini-Rosemont Realty LLC	USA	Limited liability Company	USD68,360	45%	(ii), (iii)	Land and property development
(21)	SOL Investment Fund LP	Cayman island	Limited Liability Partnership	HKD2,679,000	50%	(v)	Investment management
(22)	香河萬潤新元房地產開發有限公司	PRC	Limited liability Company	RMB85,000	20%	(ii), (iii)	Land and property development
(23)	上海興泰房地產開發有限公司	PRC	Limited liability Company	USD10,000	50%	(iii)	Land and property development
(24)	北京房地天鋭鑫洋房地產開發有限公司	PRC	Limited liability Company	RMB41,180	30%	(ii), (iii)	Land and property development
(25)	上海新證財經信息諮詢有限公司	PRC	Limited liability Company	RMB100,000	22%	(ii), (v)	Consulting service

13 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(a) Following are the details of the main joint ventures held by the Group as at 31 December 2016, 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 2016	Nature of relationship	Principal activities
(26)	中山市大信融佳商業投資有限公司	PRC	Limited liability Company	RMB1,000	25%	(ii), (iv)	Investment management
(27)	中山市遠昇房地產開發有限公司	PRC	Limited liability Company	RMB20,400	25%	(ii), (iii)	Land and property development
(28)	北京卓信瑞通投資有限公司	PRC	Limited liability Company	RMB1,000	33%	(ii), (iv)	Investment management
(29)	天津旭浩房地產開發有限公司	PRC	Limited liability Company	RMB120,000	25%	(ii), (iii)	Land and property development
(30)	重慶遠香房地產開發有限公司	PRC	Limited liability Company	RMB32,108	38%	(ii), (iii)	Land and property development
(31)	北京豐灝琅苑生態農業發展有限公司	PRC	Limited liability Company	RMB1,000	51%	(i), (v)	Agricultural development
(32)	北京紫金長寧房地產開發有限責任公司	PRC	Limited liability Company	RMB198,500	50%	(iii)	Land and property development
(33)	鷹潭市信銀致遠投資有限合夥企業	PRC	Limited Liability partnership	RMB10,000,010	40%	(ii), (iv)	Investment management
(34)	信銀振華三號房地產私募投資基金	PRC	Limited Liability partnership	RMB8,100,000	33%	(ii), (iv)	Investment management
(35)	寧波遠吉德信投資管理合夥企業（有限合夥）	PRC	Limited Liability partnership	RMB101,000	50%	(iv)	Investment management
(36)	北京中聯置地房地產開發有限公司	PRC	Limited liability Company	RMB560,000	49%	(ii), (iii), (vi)	Land and property development

13 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(a) Following are the details of the main joint ventures held by the Group as at 31 December 2016, 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 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 the 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) This entity became the joint venture of the Group due to partial disposal of interests of the entity. As at 31 December 2016, 49% of the equity shares of the entity was held by the Group (Note 48(a)).

(vii) There were no contingent liabilities relating to the Group's investment in joint ventures (2015: nil).

(viii) As at 31 December 2016, the Group has the outstanding capital commitment to joint ventures amounting to RMB25,600,000 (2015: USD45,641,000).

13 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(b) Summarized financial information, in aggregation, of the joint ventures which are accounted for using the equity method:

The Group consider that the joint ventures as at 31 December 2016 and 2015 are individually insignificant to the Group, set out below is the summarized financial information, in aggregation, of the joint ventures:

Summarized balance sheet

	Total	
	2016	2015
	RMB'000	RMB'000
Current		
Total current assets	**71,873,270**	60,819,759
Total current liabilities	**(36,151,194)**	(40,449,504)
Non-current		
Total non-current assets	**43,629,155**	36,601,384
Total non-current liabilities	**(50,842,177)**	(39,890,356)
Net assets	**28,509,054**	17,081,283

Summarized statement of comprehensive income

	Total	
	2016	2015
	RMB'000	RMB'000
Revenue	**6,667,201**	12,172,750
Depreciation and amortization	**(68,688)**	(68,072)
Interest income	**26,073**	34,146
Interest expense	**(805,738)**	(879,946)
Profit/(loss) for the year	**114,997**	(1,090,916)
Income tax expense	**(88,749)**	(272,521)
Post-tax profit/(loss)	**26,248**	(1,363,437)
Other comprehensive income	**(68,854)**	(176,325)
Total comprehensive income	**(42,606)**	(1,539,762)
Dividends received from joint ventures	**22,153**	–

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

13 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(c) Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interests in the joint ventures.

	Total	
	2016	2015
	RMB'000	RMB'000
Opening net assets 1 January	**17,081,283**	8,261,880
Transfer	**–**	2,183,631
Capital injection	**14,727,641**	8,175,534
Increase due to partial disposal of interests in a subsidiary	**666,143**	–
Profit/(loss) for the year	**26,248**	(1,363,437)
Dividend	**(54,349)**	–
Share of other equity movement of equity accounted investee	**(68,854)**	(176,325)
Deemed disposal of joint ventures	**(2,214,609)**	–
Disposal	**(1,654,449)**	–
Closing net assets	**28,509,054**	17,081,283
Interest in joint ventures	**11,094,790**	7,211,255
Currency translation difference	**55,501**	61,747
Adjusted for eliminations resulting from upstream and downstream transactions	**(291,113)**	(314,443)
Carrying value	**10,859,178**	6,958,559

14 INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**2,773,307**	2,362,918
Capital injection	**565,801**	369,604
Transfer from available-for-sale financial assets	**1,034,342**	–
Disposal	**(226,219)**	(10,964)
Dividend	**(1,750)**	–
Transfer to investments in joint ventures	**–**	(1,109,472)
Deemed disposal of associates	**(1,076,438)**	–
Increase due to partial disposal of interests in subsidiaries	**4,716**	1,208,651
Share of results of associates-after adjustment for unrealized profit or loss from inter-company transactions between the Group and the associates	**(54,837)**	(47,430)
At end of the year	**3,018,922**	2,773,307

14 INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Following are the details of the main associates of the Group at 31 December 2016, all of which are unlisted excluding Beijing Capital Juda Limited.("Beijing Capital Juda") and China Logistics Property Holdings Co.,Ltd.("China Logistics Property"):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016	Nature of the relationship	Principal activities
(1)	Beijing Central Business District Development and Construction Company Limited 北京商務中心區開發建設有限責任公司	PRC	Limited liability Company	RMB680,850	47%	(ii)	Land development
(2)	Guoshou Yuantong Real Estate Company Limited 國壽遠通置業有限公司	PRC	Limited liability Company	RMB2,500,000	10%	(i), (ii)	Property development and investment services
(3)	Beijing Shengyong Property Development and investment Company Limited 北京盛永置業投資有限公司	PRC	Limited liability Company	RMB500,000	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	RMB50,000	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	RMB1,100,000	42.25%	(ii)	Land and property development
(6)	Hubei Fuxinghuiyu Changqing Real Estate Company Limited 湖北福星惠譽常青置業有限公司	PRC	Limited liability Company	RMB10,000	38%	(ii)	Land and property development
(7)	北京中集車輛物流裝備有限公司	PRC	Limited liability Company	RMB20,000	70%	(ii), (vi)	Land and property development
(8)	北京興佰君泰房地產開發有限公司	PRC	Limited liability Company	RMB10,000	6.3%	(i), (ii)	Land and property development
(9)	北京達成光遠置業有限公司	PRC	Limited liability Company	RMB20,000	23%	(ii)	Land and property development
(10)	廣州宏軒房地產開發有限公司	PRC	Limited liability Company	RMB300,000	16.66%	(i), (ii)	Land and property development
(11)	廣州宏嘉房地產開發有限公司	PRC	Limited liability Company	RMB300,000	16.66%	(i), (ii)	Land and property development

14 INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Following are the details of the main associates of the Group at 31 December 2016 , all of which are unlisted excluding Beijing Capital Juda Limited ("Beijing Capital Juda") and China Logistics Property Holdings Co.,Ltd. ("China Logistics Property"): (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2016	Nature of the relationship	Principal activities
(12)	Expedient Group Limited	BVI	Limited liability Company	USD–	40%	(ii)	Land and property development
(13)	廣州璟曄房地產開發有限公司	PRC	Limited liability Company	RMB300,000	16.66%	(i),(ii)	Land and property development
(14)	瀋陽銀基新世紀置業有限公司	PRC	Limited liability Company	RMB150,000	15%	(i),(ii)	Land and property development
(15)	中山市金馬遊藝機有限公司	PRC	Limited liability Company	RMB16,320	15%	(i),(iii)	Entertainment development
(16)	中交地產(海口)有限公司	PRC	Limited liability Company	RMB400,000	30%	(ii)	Land and property development
(17)	Beijing Capital Juda Limited. 首創鉅大有限公司	Cayman island	Limited liability Company	HKD20,345	9.9%	(i),(ii)	Land and property development
(18)	China Logistics Property Holdings Co.,Ltd. 中國物流資產控股有限公司	Cayman island	Limited liability Company	USD184	9.79%	(i),(iii)	Logistics management
(19)	上海坤永實業有限公司	PRC	Limited liability Company	RMB1,000	30%	(ii)	Land and property development
(20)	深圳市遠景置業有限公司	PRC	Limited liability Company	RMB20,000	26%	(ii),(vii)	Land and property development
(21)	中資國信資產管理有限公司	PRC	Limited liability Company	RMB300,000	19%	(i),(iii),(vii)	Property management

14 INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Following are the details of the main associates of the Group at 31 December 2016, all of which are unlisted excluding Beijing Capital Juda Limited ("Beijing Capital Juda") and China Logistics Property Holdings Co.,Ltd. ("China Logistics Property"): (Continued)

(i) Although the Group holds less than 20% of the equity shares of these ten 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 this associate provide more opportunities to explore business in real estate investment activities.

(v) There were no other contingent liabilities or capital commitments relating to the Group's interests in the associates.

(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) These two entities became associates of the Group due to partial disposal of interests of these two entities.

(b) Summarized financial information, in aggregation, of the associates which are accounted for using the equity method:

The Group consider that the associates as at 31 December 2016 and 2015 are individually insignificant to the Group, set out below is the summarized financial information, in aggregation, of the associates:

Summarized balance sheet

	Total	
	2016	2015
	RMB'000	RMB'000
Current		
Total current assets	**33,900,551**	26,654,017
Total current liabilities	**(17,525,698)**	(11,013,266)
Non-current		
Total non-current assets	**23,919,345**	3,285,616
Total non-current liabilities	**(16,978,341)**	(9,137,347)
Net assets	**23,315,857**	9,789,020

14 INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Summarized financial information, in aggregation, of the associates which are accounted for using the equity method (Continued):

Summarized statement of comprehensive income

	Total	
	2016	2015
	RMB'000	RMB'000
Revenue	**1,724,851**	2,134,146
Depreciation and amortization	**(20,698)**	(75,747)
Interest income	**6,872**	6,376
Interest expense	**(184,501)**	(88,900)
Profit/(loss) for the year	**152,290**	(107,653)
Income tax expense	**(216,552)**	(49,898)
Post-tax loss	**(64,262)**	(157,551)
Other comprehensive income	**–**	–
Total comprehensive income	**(64,262)**	(157,551)
Dividends received from associates	**1,750**	–

The information above reflects the amounts presented in the financial statements of the associates, adjusted for differences in accounting policies between the Group and the associates, and not the Group's share of those amounts.

(c) Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interests in the associates:

	Total	
	2016	2015
	RMB'000	RMB'000
Opening net assets 1 January	**9,789,020**	5,361,720
Capital Injection	**16,323,454**	2,157,022
Dividend	**(5,000)**	–
Increase due to partial disposal of interests in subsidiaries	**84,889**	2,466,634
Deemed disposal of associate	**(2,246,697)**	–
Disposal	**(565,547)**	(38,805)
Loss for the year	**(64,262)**	(157,551)
Closing net assets	**23,315,857**	9,789,020
Interest in associates	**3,136,716**	2,892,021
Adjusted for eliminations resulting from upstream and downstream transactions	**(117,794)**	(118,714)
Carrying value	**3,018,922**	2,773,307

15 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 2016				
Available-for-sale financial assets (Note 17)	–	–	**3,653,653**	**3,653,653**
Financial assets at fair value through profit or loss (Note 18)	–	**355,228**	–	**355,228**
Trade and other receivables excluding prepayments	**29,032,160**	–	–	**29,032,160**
Restricted bank deposits (Note 25)	**3,288,450**	–	–	**3,288,450**
Cash and cash equivalents (Note 26)	**19,052,833**	–	–	**19,052,833**
	51,373,443	**355,228**	**3,653,653**	**55,382,324**
As at 31 December 2015				
Available-for-sale financial assets (Note 17)	–	–	3,306,136	3,306,136
Financial assets at fair value through profit or loss (Note 18)	–	196,928	–	196,928
Trade and other receivables excluding prepayments	34,044,636	–	–	34,044,636
Restricted bank deposits (Note 25)	3,456,473	–	–	3,456,473
Cash and cash equivalents (Note 26)	20,269,584	–	–	20,269,584
	57,770,693	196,928	3,306,136	61,273,757

	Other financial liabilities RMB'000
Liabilities	
As at 31 December 2016	
Borrowings (Note 33)	**43,809,819**
Trade and other payables excluding tax payables	**33,320,397**
	77,130,216
As at 31 December 2015	
Borrowings (Note 33)	51,925,839
Trade and other payables excluding tax payables	24,718,161
	76,644,000

16 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	
	2016	2015
	RMB'000	RMB'000
Trade receivables		
Counterparties without external credit rating	**1,107,888**	763,055
Trade receivables that are neither past due nor impaired	**484,424**	318,242

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

All bank deposits are with 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 2016 and 2015.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Investment in listed equity securities (a)	**161,985**	–
Investment in other unlisted equity securities (b)	**1,246,715**	365,420
Investment in fund investments (c)	**2,112,624**	2,862,874
Others	**132,329**	77,842
	3,653,653	3,306,136
Less: Non-current portion	**(3,653,653)**	(3,306,136)
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. The fair value of unlisted securities approximates net asset values of respective securities.

(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 RMB2,112,624,000 as at 31 December 2016. 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.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets include the following:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Fair value:		
— listed	**161,985**	–
— unlisted	**3,491,668**	3,306,136
	3,653,653	3,306,136

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
— HKD	**1,089,818**	300,619
— RMB	**548,223**	1,320,208
— USD	**1,935,124**	1,607,467
— Australian Dollar	**80,488**	77,842
	3,653,653	3,306,136

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Listed securities — held-for-trading		
Equity securities listed in PRC	–	729
Equity securities listed in Hong Kong	**47,403**	72,358
Equity securities listed USA	**143,377**	116,416
Derivatives — held-for-trading		
Forward exchange contracts and futures contracts	**164,448**	7,425
	355,228	196,928

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 value of all listed securities are determined by reference to the quoted market bid price available on the relevant exchanges.

19 PROPERTIES UNDER DEVELOPMENT

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**38,037,060**	41,540,133
Additions	**15,539,629**	14,120,811
Transfer from prepayments for land use rights	**–**	540,419
Acquisition of subsidiaries(Note 49)	**7,425,085**	1,914,471
Partial disposal of interests in a subsidiary	**–**	(3,355,371)
Disposal of entire interests in a subsidiary	**–**	(299,678)
Provision for impairment	**(42,297)**	(65,011)
Transfer to completed properties held for sale	**(27,059,362)**	(16,358,714)
At end of the year	**33,900,115**	38,037,060
Properties under development comprises:		
Land use rights	**16,947,467**	19,435,424
Construction costs and capitalized expenditure	**12,879,512**	14,313,323
Interest capitalized	**4,073,136**	4,288,313
	33,900,115	38,037,060

Properties under development are all located in the PRC.

As at 31 December 2016, no properties under development (2015: RMB 8,345,509,000) 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 RMB21,665,086,000 (2015: RMB17,377,699,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

20 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, and the Group will subsequently receive at least the costs incurred as compensation from the government after work has been completed. 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.

21 PREPAYMENTS FOR LAND USE RIGHTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Deposits to local land authorities	**5,983,061**	5,983,561

The prepayments were paid to local land authorities for land use rights as at 31 December 2016 and 2015, respectively. Once the title of land is transferred to the Group, the land will be used to develop properties held for sale.

22 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables	**1,107,888**	763,055
Less: provision for impairment	**(25,745)**	(17,371)
Trade receivables — net (a)	**1,082,143**	745,684
Tax prepayments	**2,667,998**	2,561,304
Entrusted loans to third parties (b)	**5,071,211**	4,831,645
Entrusted loans to joint ventures (c)	**6,101,800**	9,583,233
Entrusted loans to associates (d)	**617,106**	1,969,083
Entrusted loans to non-controlling interests(e)	**446,430**	80,622
Receivables from government (f)	**710,068**	1,577,117
Receivables from partial disposal of interests in a subsidiary	**–**	292,078
Receivables from disposal of interests in an associate	**248,000**	–
Amounts due from joint ventures (g)	**4,519,138**	7,165,797
Amounts due from associates (g)	**2,828,199**	2,645,054
Amounts due from non-controlling interests (g)	**1,323,284**	201,323
Amounts due from third parties (g)	**3,520,673**	340,907
Cooperation deposits (h)	**1,679,095**	4,069,169
Other prepayments	**281,627**	213,730
Other receivables	**885,013**	542,924
	31,981,785	36,819,670
Less: non-current portion	**(9,419,822)**	(12,644,947)
Current portion	**22,561,963**	24,174,723

22 TRADE AND OTHER RECEIVABLES(CONTINUED)

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2016 and 2015.

(a) Trade receivables

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 6 months	**869,766**	565,036
Between 6 months to 1 year	**100,213**	110,787
Between 1 year to 2 years	**116,972**	50,300
Between 2 years to 3 years	**10,320**	27,137
Over 3 years	**10,617**	9,795
	1,107,888	763,055

As at 31 December 2016, no trade receivables (2015: RMB 45,603,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2016, trade receivables of RMB597,719,000 (2015: RMB427,442,000) 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 2016, trade receivables of RMB25,745,000 (2015: RMB17,371,000) 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	
	2016	2015
	RMB'000	RMB'000
At 1 January	**(17,371)**	(11,635)
Provision for receivable impairment	**(8,374)**	(5,736)
At 31 December	**(25,745)**	(17,371)

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) As at 31 December 2016 and 2015, entrusted loans to third parties comprised:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Unsecured loans (i)	**4,551,254**	4,460,845
Secured loans (ii)	**519,957**	370,800
	5,071,211	4,831,645
Less: Non-current portion	**(4,794,437)**	(1,513,117)
	276,774	3,318,528

(i) Such loans bear interest ramping from 3.5% to 10% per annum (2015: from 4.63% to 15%).

(ii) Such loans bear interest ramping from 4.85% to 12.1% (2015: from 6% to 12.1%).

(c) Entrusted loans to joint ventures are unsecured, bearing interest from 3.38% to 12% per annum (2015: 3.38% to 18%). RMB2,496,366,000 (2015: RMB304,712,000) of the balances are repayable on demand. The remaining balances of RMB3,605,434,000 (2015: RMB9,278,521,000) are repayable after one year and included in the non-current portion.

(d) Such entrusted loan to an associates is unsecured, bearing interest of 5.31% per annum (2015: 5% to 12%). The balance of RMB617,106,000 (2015: RMB1,720,849,000) is repayable after one year and included in the non-current portion.

(e) Entrusted loans to a non-controlling interest is unsecured, bearing interest of 12% per annum, and is repayable on demand.

(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 reimbursed by the government.

(g) Amounts due from joint ventures, associates, non-controlling interests and third parties are unsecured, interest free, and repayable on demand.

(h) Balances represent amounts paid to certain third parties, with the intention of future cooperation in real estate project development. As at 31 December 2016, 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 are mainly denominated in RMB.

23 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on lease between 40 to 70 years, and are stated at cost for the years ended 2016 and 2015, respectively.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Completed properties held for sale comprised:		
Land use rights	**4,659,302**	2,634,074
Construction costs and capitalized expenditure	**10,028,778**	6,941,836
Interest capitalized	**3,370,035**	2,447,492
	18,058,115	12,023,402

As at 31 December 2016, no completed properties held for sale (2015: RMB1,371,591,000) were pledged as collateral for the Group's borrowings.

Impairment losses amounting to RMB39,442,000 were recognized in profit or loss for the year ended 31 December 2016 (2015: RMB1,964,000).

24 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Contract cost incurred plus recognized profit	**4,735,773**	4,194,906
Less: progress receivables	**(4,197,202)**	(3,279,115)
Contract work-in-progress	**538,571**	915,791
Representing:		
Amounts due from customers for contract work	**538,571**	915,791

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Contract revenue recognized as revenue in the year	**1,281,775**	1,726,222

25 RESTRICTED BANK DEPOSITS

Restricted bank deposits mainly represent 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.

26 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Cash at bank and in hand	**17,712,417**	19,559,687
Short-term bank deposits	**1,340,416**	709,897
Cash and cash equivalents	**19,052,833**	20,269,584
Denominated in:		
— RMB	**16,074,827**	17,256,558
— HKD	**539,390**	371,906
— USD	**2,384,012**	2,488,817
— Other currencies	**54,604**	152,303
	19,052,833	20,269,584

The effective interest rates on short-term bank deposits ranged from 0.4% to 2.175% for the year ended 31 December 2016 (2015: 0.25% to 4.10%).

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

27 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 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

27 CAPITAL (CONTINUED)

	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 2015	7,478,559,020	29,649,352	26,708,812	–	26,708,812
Issue of shares pursuant to exercise of employee share options	50,586,828	248,461	196,964	–	196,964
Issue of scrip dividends	2,088,309	12,001	9,474	–	9,474
Share buyback	(17,644,500)	–	–	–	–
Vesting of shares under Restricted Share Award Scheme	–	313	162	–	162
	7,513,589,657	29,910,127	26,915,412	–	26,915,412
Restricted Share Award Scheme (a)					
Opening balance					
1 January 2015	(12,089,019)	–	–	(41,504)	(41,504)
Shares purchased during the year	(17,600,444)	–	–	(64,322)	(64,322)
Vesting of shares under Restricted Share Award Scheme	20,662,650	–	–	73,460	73,460
At 31 December 2015	(9,026,813)	–	–	(32,366)	(32,366)
At 31 December 2015	7,504,562,844	29,910,127	26,915,412	(32,366)	26,883,046

(a) On 22 March 2010, the board of the Company resolved to adopt a Restricted Share Award Scheme, pursuant to which existing shares were purchased from the market and held in trust for the relevant selected employees, until such shares are vested in accordance with the provision of the scheme. No shares (2015: 20,147,300 shares) were granted to the selected employees of the Group during the year. As at 31 December 2016, 21,568,361 shares (2015: 30,240,800 shares) were granted but not yet vested under the scheme.

28 RETAINED EARNINGS

	Year ended 31 December 2016 RMB'000	2015 RMB'000
At 1 January	**14,758,572**	14,172,343
Profit for the year	**3,812,230**	2,383,715
Dividends relating to 2014	**–**	(980,084)
Dividends relating to 2015 (Note 44)	**(319,091)**	(464,478)
Dividends relating to 2016 (Note 44)	**(511,068)**	–
Distribution relating to capital securities (Note 31)	**(111,078)**	(255,394)
Share buyback	**–**	(60,457)
Transfer to statutory reserve fund	**(44,443)**	(37,073)
At 31 December	**17,585,122**	14,758,572

29 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 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)

29 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 2015	(763,427)	1,172,517	(23,375)	(12,656)	147,038	63,649	(932,546)	(348,800)
Fair value gains on available-for-sale financial assets	–	–	–	2,504	–	–	–	2,504
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	(36,770)	–	–	–	(36,770)
Currency translation differences	–	–	(25,338)	–	–	–	–	(25,338)
Expense on share-based payment	–	–	–	–	14,194	76,033	–	90,227
Expiry of share option	–	–	–	–	(31,729)	–	31,729	–
Issue of shares pursuant to exercise of employee share options	–	–	–	–	(56,210)	–	–	(56,210)
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–	(73,622)	–	(73,622)
Transfer from retained earnings	–	37,073	–	–	–	–	–	37,073
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	(9)	(9)
At 31 December 2015	(763,427)	1,209,590	(48,713)	(46,922)	73,293	66,060	(900,826)	(410,945)

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.

30 SHARE OPTIONS

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 2016	**3.89**	117,559
Granted during the year	**3.80**	182,885
Lapsed during the year	**3.86**	(16,468)
Exercised during the year	**3.57**	(290)
At 31 December 2016	**3.83**	283,686

Out of the 283,686,000 outstanding options (2015:117,559,000), 33,975,672 (2015: 38,243,172) were exercisable as at 31 December 2016.

Share options outstanding as at 31 December 2016 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
12 January 2017	3.57	33,976
27 August 2020	4.04	71,226
21 April 2021	3.80	178,484
		283,686

182,884,000 options were granted for the year ended 31 December 2016 (2015: 79,666,000 options). The weighted average fair value of options granted during the prior years was determined using the binomial lattice model. Significant inputs into the model included weighted average share prices, volatility assumptions, dividend yields as well as annual risk-free interest rate estimations.

31 CAPITAL SECURITIES

On 13 May 2011, Sino-Ocean Land (Perpetual Finance) Limited, a wholly owned subsidiary, issued the perpetual bonds (the"capital securities") callable in 2016, with an initial aggregate principal amount of USD400,000,000, equivalent to RMB2,532,866,000.

Such capital securities are guaranteed by the Company, at the same time bear distribution at a rate of 10.25% per annum, payable semi-annually. The issuer of the capital securities may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

As the Group has no contracted obligation to repay its principal or to pay any distributions, the capital securities do not meet the definition as financial liabilities under HKAS 32 under the term of the capital securities. As a result, the whole instrument is classified as equity, and respective distributions if and when declared are treated as equity dividends.

In May 2016, the Group has repurchased all the capital securities.

32 CAPITAL INSTRUMENT

(a) In year 2015, Beijing Tianjiang Tongrui Land Limited ("Tianjiang Tongrui"), a wholly owned subsidiary, issued a capital instrument, which is callable one year after the issue date, with an initial aggregate principal amount of RMB3,000,000,000.

Such capital instrument is jointly guaranteed by Sino-Ocean Land Limited, another subsidiary of the Group, and is secured by the real estate project owned by Tianjiang Tongrui and the equity interests of Tianjiang Tongrui held by the Group, and has no maturity date. The payments of distribution of such capital instrument can be deferred at the discretion of Tianjiang Tongrui. When Tianjiang Tongrui or Sino-Ocean Land Limited elects to declare dividends to their shareholders, Tianjing Tongrui should make distribution to the holders of the capital instrument at the distribution rate as defined in the subscription agreement.

In year 2016, the Group has repaid the capital instrument.

(b) On 30 December 2016, Hangzhou Xinhe Hotel Property Limited ("Hangzhou Xinhe") and Hangzhou Yunhe Business District Development Limited ("Hangzhou Yunhe"), 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 as defined in the subscription agreement. Such capital instrument will be secured by the real estate and investment property project owned by Hangzhou Yunhe and Hangzhou Xinhe, as at 31 December 2016, the pledge contract has not yet been signed.

33 BORROWINGS

	As at 31 December 2016 RMB'000	2015 RMB'000
Non-current		
Bank borrowings (a)	4,634,447	13,596,011
Other borrowings (b)	32,980,448	29,764,043
Total non-current borrowings	37,614,895	43,360,054
Current		
Current portion of long-term bank borrowings (a)	4,478,229	4,758,138
Current portion of long-term other borrowings (b)	1,265,961	2,493,981
Short-term bank borrowings (a)	450,734	872,795
Short-term other borrowings (b)	–	440,871
Total current borrowings	6,194,924	8,565,785
Total borrowings	43,809,819	51,925,839

(a) As at 31 December 2016, bank borrowings amounting to RMB955,000,000 were secured by investment properties of the Group.

As at 31 December 2015, bank borrowings amounting to RMB7,483,855,000 were secured by investment properties, properties under development, trade and other receivables and completed properties held for sale of the Group.

(b) Other borrowings

	As at 31 December 2016 RMB'000	2015 RMB'000
Bond issuance (i)	13,940,327	9,949,794
Guaranteed notes (ii)	16,390,061	15,298,230
Borrowings from trust companies (iii)	3,850,020	6,490,871
Borrowings from a joint venture(iv)	66,001	–
Borrowings from third parties (v)	–	960,000
	34,246,409	32,698,895
Less: non-current portion	(32,980,448)	(29,764,043)
Current portion	1,265,961	2,934,852

33 BORROWINGS (CONTINUED)

(b) Other borrowings (Continued)

(i) In 2016, Sino-ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB 4,000,000,000 with maturity period of 5 years and annual interest rate of 3.50%. The bonds are unsecured.

In 2015, Sino-ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB 10,000,000,000. 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) RMB 3,000,000,000 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 percent per annum due in 2027 (the "2027 Notes") and another note with principal amount of USD700,000,000 at a rate of 4.45 percent per annum due in 2020 (the "2020 Notes").

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 percent per annum due in 2019 (the "2019 Notes") and another note with principal amount of USD700,000,000 at a rate of 6.000 percent per annum due in 2024 (the "2024 Notes").

(iii) Such loans bear interest rate from 5.85% to 6.85% per annum, and RMB2,650,060,000 of the loan portion (2015: RMB3,850,019,000) repayable after one year are included in non-current portion.

As at 31 December 2016, loans amounting to RMB3,850,020,000 were secured by investment properties of the Group.

As at 31 December 2015, RMB5,750,000,000 of the loan portion were secured by investment properties and completed properties held for sale of the Group. RMB300,000,000 of the loan portion were guaranteed by Sino-Ocean Land Limited.

(iv) The balances represent loans from a joint venture of the Group and bear interests rate at 3.50%. Such loan is payable within one year and is included in the current portion.

(v) The balance represents borrowings from third parties and have been repaid in 2016.

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December	
	2016	2015
	Bank and other borrowings	Bank and other borrowings
	RMB'000	RMB'000
Total borrowings		
— Within 1 year	**6,194,924**	8,565,785
— Between 1 and 2 years	**4,005,057**	9,623,426
— Between 2 and 5 years	**19,065,412**	17,495,752
— Over 5 years	**14,544,426**	16,240,876
	43,809,819	51,925,839

33 BORROWINGS (CONTINUED)

(a) The Group's borrowings denominated in RMB, HKD and USD respectively are set out as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Denominated in:		
— RMB	**18,840,526**	27,789,226
— HKD	**5,178,012**	4,736,026
— USD	**19,791,281**	19,400,587
	43,809,819	51,925,839

(b) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Bank borrowings	**4.75%**	5.83%
Other borrowings	**5.60%**	6.54%

(c) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 6 months	**9,112,247**	9,660,358
Between 6 and 12 months	**3,855,220**	4,394,856
Between 1 and 5 years	**30,842,352**	37,870,625
	43,809,819	51,925,839

(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 4.75% (2015: 5.83%) and are within Level 2 of the fair value hierarchy.

34 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**480,077**	712,299
— to be recovered within 12 months	**630,376**	225,750
	1,110,453	938,049
Deferred income tax liabilities:		
— to be recovered after more than 12 months	**(2,610,210)**	(2,021,060)
— to be recovered within 12 months	**(149,714)**	(50,775)
	(2,759,924)	(2,071,835)
Deferred income tax liabilities, net	**(1,649,471)**	(1,133,786)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**1,133,786**	906,925
Recognized in the income statement (Note 42)	**181,415**	222,111
Credited to other comprehensive income	**(6,207)**	–
Acquisition of subsidiaries (Note 49)	**291,080**	–
Disposal of a subsidiary (Note 48(a))	**49,397**	4,750
At end of the year	**1,649,471**	1,133,786

34 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2016 and 2015, 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	Other RMB'000	Total RMB'000
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 (Note 49(a))	**5,062**	**–**	**–**	**–**	**–**	**5,062**
Disposal of a subsidiary (Note 48(a))	**(43,499)**	**–**	**–**	**(5,898)**	**–**	**(49,397)**
At 31 December 2016	**639,310**	**–**	**177,037**	**287,899**	**6,207**	**1,110,453**
At 1 January 2015	929,792	8,186	44,164	100,715	–	1,082,857
(Charged)/credited to income statement	(406,786)	(5,578)	55,144	217,162	–	(140,058)
Disposal of subsidiaries	–	–	(4,750)	–	–	(4,750)
At 31 December 2015	523,006	2,608	94,558	317,877	–	938,049

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 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 (Note 49)	**–**	**–**	**(296,142)**	**–**	**–**	**(296,142)**
At 31 December 2016	**(55,037)**	**(2,183,815)**	**(458,918)**	**(44,969)**	**(17,185)**	**(2,759,924)**
At 1 January 2015	(52,310)	(1,533,461)	(389,619)	–	(14,392)	(1,989,782)
(Charged)/credited to income statement	(2,727)	(190,248)	109,330	–	1,592	(82,053)
At 31 December 2015	(55,037)	(1,723,709)	(280,289)	–	(12,800)	(2,071,835)

34 DEFERRED INCOME TAX (CONTINUED)

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 RMB59,225,000 (2015: RMB52,662,000) in respect of losses amounting to RMB236,900,000 (2015: RMB210,648,000) that can be carried forward against future taxable income.

At 31 December 2016, the Group recognized deferred tax liabilities of approximately RMB44,969,000 (2015: Nil) 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 totalled approximately RMB4,860,409,000 at 31 December 2016 (2015: RMB5,628,714,000).

35 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables	**13,050,364**	10,371,633
Accrued expenses	**2,970,162**	2,568,662
Amounts due to joint ventures (i)	**8,569,751**	816,242
Amounts due to associates (i)	**615,192**	3,709,506
Amounts due to non-controlling interests (i)	**493,294**	30,261
Amounts due to government	**76,067**	83,458
Other taxes payable	**531,217**	556,757
Other payables	**7,545,567**	7,138,399
	33,851,614	25,274,918
Less: non-current portion	**(7,112)**	(13,377)
Current portion	**33,844,502**	25,261,541

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	
	2016	2015
	RMB'000	RMB'000
Within 6 months	**7,880,738**	6,402,922
Between 6 months to 12 months	**1,415,151**	1,568,870
Between 1 year to 2 years	**2,705,053**	1,820,473
Between 2 years to 3 years	**767,532**	400,477
Over 3 years	**281,890**	178,891
	13,050,364	10,371,633

36 ADVANCE RECEIPTS FROM CUSTOMERS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Advances receipts directly coming from customers (a)	**14,659,155**	11,747,873
Others (b)	**1,426,310**	4,815,809
	16,085,465	16,563,682

(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.

37 INTEREST AND OTHER INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest income:		
— Interest income from bank deposits	**183,922**	220,245
— Interest income from entrusted loans	**1,211,860**	898,685
Dividend income from available-for-sale financial assets	**78,742**	2,858
Others	**33,702**	31,291
	1,508,226	1,153,079

38 OTHER LOSSES — NET

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Gains/(Losses) on partial disposal of interests in a subsidiary (Note 48(a))	**76,858**	(2,983)
Gains on disposal of entire interests in a subsidiary (Note 48(b))	**63,466**	6,704
Losses on disposal of joint ventures	**(6,399)**	–
Gains on disposal of an associate	**21,781**	13,308
Gains on deemed disposal of joint ventures and an associate	**234,076**	–
Gains/(Losses) on revaluation of financial assets at fair value through profit or loss	**135,561**	(23,341)
(Losses)/Gains on disposal of financial assets at fair value through profit or loss	**(5,316)**	15,639
Gains on disposal of property, plant and equipment	**2,514**	3,873
Gains on disposal of available-for-sale financial assets	**–**	4,050
Exchange losses	**(628,070)**	(737,880)
Negative goodwill on business combination (Note 49(a))	**284**	1,405
Other gains/(losses)	**19,369**	(15,776)
	(85,876)	(735,001)

39 EXPENSES BY NATURE

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	**7,617,080**	6,474,032
— Capitalized interest	**2,080,972**	1,336,640
— Construction related cost	**13,268,826**	12,629,087
Cost of up fitting services rendered	**1,259,778**	775,985
Primary land development	**57,858**	377,205
Direct investment property expenses (Note 10)	**147,068**	126,915
Employee benefit expense (Note 40)	**1,150,908**	852,487
Consultancy fee	**210,459**	161,216
Auditor's remuneration	**11,600**	11,400
— Audit services	**8,800**	8,600
— Non-audit services	**2,800**	2,800
Depreciation (Note 8)	**45,034**	42,602
Amortization of land use rights (Note 9)	**259**	238
Advertising and marketing	**500,724**	455,790
Business taxes and other levies	**1,288,322**	1,828,212
Impairment losses	**90,113**	72,711
Office expenditure	**104,116**	94,869
Properties maintenance expenses	**379,850**	355,443
Energy expenses	**89,573**	101,381
Others	**119,269**	174,029
	28,421,809	25,870,242

40 EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,199,432**	903,103
Retirement benefits contribution	**94,838**	77,461
Share options granted to directors and employees (Note 29)	**88,343**	14,194
Restricted Share Award Scheme (Note 29)	**50,677**	76,033
Other allowances and benefits	**253,429**	185,716
	1,686,719	1,256,507
Less: capitalized in properties under development	**(535,811)**	(404,020)
	1,150,908	852,487

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 2016 and 2015.

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 two (2015: two) directors whose emoluments are reflected in the analysis shown in Note 53. The emoluments payable to the remaining three (2015: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Basic salaries and allowance	**6,900**	6,600
Retirement scheme contributions	**324**	293
Share-based payments	**15,706**	11,100
	22,930	17,993

40 EMPLOYEE BENEFITS EXPENSE (CONTINUED)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2016	2015
RMB5,367,000 (equivalent to HK$6,000,000) to RMB5,814,000 (equivalent to HK$6,500,000)	–	2
RMB5,814,000 (equivalent to HK$6,500,000) to RMB6,262,000 (equivalent to HK$7,000,000)	–	2
RMB7,156,000 (equivalent to HK$8,000,000) to RMB7,603,000 (equivalent to HK$8,500,000)	**1**	–
RMB7,603,000 (equivalent to HK$8,500,000) to RMB8,051,000 (equivalent to HK$9,000,000)	**2**	–
RMB8,945,000 (equivalent to HK$10,000,000) to RMB9,392,000 (equivalent to HK$10,500,000)	**1**	–
RMB20,574,000 (equivalent to HK$23,000,000) to RMB21,021,000 (equivalent to HK$23,500,000)	–	1
RMB27,283,000 (equivalent to HK$30,500,000) to RMB27,730,000 (equivalent to HK$31,000,000)	**1**	–
	5	5

(b) During the years ended 31 December 2016 and 2015, 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.

41 FINANCE COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest expense:		
— Bank borrowings	**671,627**	1,370,506
— Other borrowings	**2,169,130**	2,180,285
Less: interest capitalized at a capitalization rate of 5.38% (2015: 6.25%) per annum	**(2,022,510)**	(2,849,612)
	818,247	701,179

42 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 2016 and 2015. 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	
	2016	2015
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**2,094,017**	1,760,431
— PRC land appreciation tax	**1,786,715**	421,182
Deferred income tax (Note 34)	**181,415**	222,111
	4,062,147	2,403,724

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	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**8,507,707**	4,655,057
Adjust for: Share of results of joint ventures	**(53,561)**	650,550
Share of results of associates	**42,024**	68,201
	8,496,170	5,373,808
Tax calculated at a tax rate of 25%	**2,124,043**	1,343,452
Effect of higher tax rate for the appreciation of land in the PRC	**1,340,036**	315,887
Income not subject to tax	**(5,301)**	(2,392)
Expenses not deductible for tax purposes	**409,936**	555,709
Dividend withholding tax	**206,411**	180,255
Tax losses not recognized	**79,811**	49,480
Utilization of previously unrecognized tax losses and expenses	**(92,789)**	(38,667)
Income tax expense	**4,062,147**	2,403,724

43 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 27).

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**3,812,230**	2,383,715
Distribution relating to capital securities (RMB'000)	**(111,078)**	(255,394)
Profit used to determine basic earnings per share (RMB'000)	**3,701,152**	2,128,321
Weighted average number of ordinary shares in issue (thousands)	**7,501,204**	7,505,163
Basic earnings per share (RMB per share)	**0.493**	0.284

(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 the unvested awarded shares. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options and the payout of the awarded shares. 262,550,000 outstanding share options, when calculated on a weighted average basis, were not included in the calculation of dilutive earnings per share for the year ended 31 December 2016 (2015: 79,316,000) because they are out of money.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**3,812,230**	2,383,715
Distribution relating to capital securities (RMB'000)	**(111,078)**	(255,394)
Profit used to determine diluted earnings per share (RMB'000)	**3,701,152**	2,128,321
Weighted average number of ordinary shares in issue (thousands)	**7,501,204**	7,505,163
Adjustment for:		
— share options (thousands)	**–**	9,133
— shares held for the Restricted Share Award scheme (thousands)	**545**	2,622
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**7,501,749**	7,516,918
Diluted earnings per share (RMB per share)	**0.493**	0.283

44 DIVIDENDS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interim dividend paid	**511,068**	464,478
Proposed final dividend of RMB0.106 (2015: RMB0.042) per ordinary share (a)	**799,489**	314,050

(a) On 30 March 2017, the Company proposed a final dividend of RMB799,489,000 for the year ended 31 December 2016.

45 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit for the year	**4,445,560**	2,251,333
Adjustments for:		
— Income tax expense (Note 42)	**4,062,147**	2,403,724
— Depreciation (Note 8)	**45,034**	42,602
— Amortization of land use rights (Note 9)	**259**	238
— Valuation gains on investment properties (Note 10)	**(1,762,637)**	(703,443)
— Goodwill related to properties sold, charged to cost of sales (Note 11)	**136,955**	149,649
— Share of results of joint ventures	**24,966**	848,120
— Share of results of associates	**54,837**	47,430
— Losses on disposal of joint ventures (Note 38)	**6,399**	–
— Gains on disposal of an associate (Note 38)	**(21,781)**	(13,308)
— Gains on deemed disposal of joint ventures and an associate (Note 38)	**(234,076)**	–
— Dividend income from available-for-sale financial assets (Note 37)	**(78,742)**	(2,858)
— Interest income	**(1,223,830)**	(1,084,658)
— (Gains)/Losses on partial disposal of interests in a subsidiary (Note 38)	**(76,858)**	2,983
— Gains on disposal of entire interests in a subsidiary (Note 38)	**(63,466)**	(6,704)
— Gains on disposal of available-for-sale financial assets	**–**	(4,050)
— Gains on sale of property, plant and equipment (Note 38)	**(2,514)**	(3,873)
— Fair value (gains)/losses on financial assets at fair value through profit or loss (Note 38)	**(135,561)**	23,341
— Other gains	**–**	(725)
— Impairment losses (Note 39)	**90,113**	72,711
— Finance costs (Note 41)	**818,247**	701,179
— Gains on acquisition of a subsidiary (Note 38)	**(284)**	(1,405)
— Exchange gains	**(186,590)**	(165,286)
— Share-based payments (Note 29)	**139,020**	90,227
	6,037,198	4,647,227
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	**(3,765,796)**	2,904,139
— Inventories, at cost	**(26,032)**	1,698
— Amounts due from customers for contract work	**377,220**	(93,987)
— Trade and other receivables	**3,316,821**	(10,737,108)
— Land development cost recoverable	**190,466**	(16,108)
— Prepayments for land use rights	**500**	569,590
— Trade and other payables	**4,729,370**	8,739,901
— Financial assets at fair value through profit or loss	**(16,963)**	442,896
— Prepayments	**(67,893)**	772,796
— Advance receipts from customers	**(3,003,304)**	(6,351,884)
— Properties under development	**14,312,754**	4,548,931
— Restricted bank deposits	**168,023**	(431,381)
Cash generated from operations	**22,252,364**	4,996,710

45 CASH GENERATED FROM OPERATIONS (CONTINUED)

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Net book amount (Note 8)	**12,860**	2,775
Gains on disposal of property, plant and equipment (Note 38)	**2,514**	3,873
Proceeds from disposal of property, plant and equipment	**15,374**	6,648

46 FINANCIAL GUARANTEES

(a) The Group had the following financial guarantees as 31 December 2016 and 2015:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**8,055,938**	2,298,787

As at 31 December 2016 and 2015, 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 2016, the Group provided joint-liability guarantees in respect of borrowings granted by certain financial institutions to joint ventures and associates amounting to RMB3,050,560,000 (2015: RMB8,456,500,000). Properties under development owned by these joint ventures and associates are the primary collateral of such borrowings.

47 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Land use rights	–	7,883
Properties under development	**3,306,901**	6,801,003
Commitment of Investment	**25,600**	496,122
Contracted but not provided for	**3,332,501**	7,305,008

47 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	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**811,175**	752,533
Between 1 to 5 years	**1,872,122**	1,407,922
Over 5 years	**698,855**	755,340
	3,382,152	2,915,795

48 DISPOSAL OF SUBSIDIARIES

(a) Partial disposal of interests in a subsidiary

In December 2016, the Group entered into an agreement with Yintan Xinyin Zhiyuan Limited Partnership, a joint venture of the Group to dispose of total 85% equity interests in Beijing Zhonglian Real Estate Co. Ltd ("Beijing Zhonglian"), a subsidiary of the Group, at a consideration of RMB476,000,000. Upon completion of the disposal, the Group lost control over Beijing Zhonglian as it has no power to govern the financial and operating policies of Beijing Zhonglian. The effect of partial disposal of a subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	2016
	RMB'000
Proceeds received in cash on disposal of subsidiary	**476,000**
Fair value of the Group's remaining interests	**99,921**
Carrying value of the Beijing Zhonglian's net assets disposed — shown as below	**(499,063)**
Gains on disposal of partial interests in Beijing Zhonglian that resulted in loss of control	**76,858**

48 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Partial disposal of interests in a subsidiary (Continued)

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Property, plant and equipment	562
Completed properties held for sale	37,920
Trade and other receivables	1,723,200
Deferred income tax assets	49,397
Cash and cash equivalents	65,441
Advance receipts from customers	(5,308)
Borrowings	(509,870)
Other payables	(833,428)
Income tax payables	(28,851)
Net assets disposed	499,063
Inflow of cash to dispose a subsidiary, net of cash disposed	
Proceeds received in cash	476,000
Cash and cash equivalents in a subsidiary disposed of	(65,441)
Net cash inflow on disposal	410,559

(b) Disposal of entire interests in a subsidiary

In June 2016, Sino-Ocean Land Limited, a wholly-owned subsidiary of the Company, withdrew partnership from Beijing Yuanshengruilian Investment Management Center (Limited Partnership) ("Yuansheng Ruilian"), another subsidiary of the Group, which resulted in disposal of the entire interests in Yuansheng Ruilian at a consideration of RMB385,500,000. The effect of disposal of a subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	2016 RMB'000
Proceeds received in cash on disposal of subsidiary	385,500
Carrying value of the Yuansheng Ruilian's net assets disposed — shown as below	(322,034)
Gains on disposal of the subsidiary	63,466

48 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of entire interests in a subsidiary (Continued)

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Available-for-sale financial assets	1,000,000
Cash and cash equivalents	1,550
Long term borrowings	(666,000)
Other payables	(13,516)
Net assets disposed	322,034
Inflow of cash to dispose a subsidiary, net of cash disposed	
Proceeds received in cash	385,500
Cash and cash equivalents in a subsidiary disposed of	(1,550)
Net cash inflow on disposal	383,950

49 BUSINESS COMBINATIONS

(a) On 31 March 2016, the Group acquired 100% of the equity interests of Zhao De Land Limited and its subsidiary (together, "Zhao De Land") at a consideration of HKD883,402,000, equivalent to RMB729,054,000, and obtained the control of Zhao De Land.

The following table summarises the consideration paid for Zhao De Land, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2016 RMB'000
Identifiable net assets acquired	729,338
Consideration:	
— Cash paid	(69,721)
— Payable on business combination	(659,333)
Excess of consideration paid recognized in profit or loss as other gains	284
Recognized amounts of identifiable assets acquired and liabilities acquired	
Cash and cash equivalents	71,449
Property, plant and equipment	2,058
Deferred income tax assets	5,062
Properties under development	475,975
Completed properties held for sale	1,674,309
Trade and other receivables	40,778
Trade and other payables	(1,130,391)
Advance receipts from customers	(231,344)
Income tax payables	(8,552)
Deferred income tax liabilities	(152,284)
Non-controlling interests	(17,722)
Total identifiable net assets	729,338

The fair value of trade and other receivables is RMB40,778,000.

The revenue included in the consolidated income statement since 31 March 2016 contributed by Zhao De Land was RMB254,041,000. Zhao De Land also contributed profit of RMB40,925,000 over the same period.

Had Zhao De Land been consolidated from 1 January 2016, the consolidated income statement would show pro-forma revenue of RMB309,620,000 and profit of RMB29,283,000.

49 BUSINESS COMBINATIONS (CONTINUED)

(b) On 30 September 2016, the Group acquired 60% of the equity interests of Shanghai Yuanhui Real Estate Co., Ltd ("Shanghai Yuanhui"), a real-estate developer in Shanghai, at a consideration of RMB272,602,000. As a result of the acquisition, Shanghai Yuanhui became wholly owned subsidiary from the join venture of the Group

The following table summarises the consideration paid for Shanghai Yuanhui, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2016 RMB'000
Cash consideration paid	272,602
Fair value of equity interest in Shanghai Yuanhui held before the business combination	206,924
Total	479,526
Identifiable net assets acquired	(396,613)
Goodwill	82,913
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	582,667
Property, plant and equipment	171
Properties under development	3,416,813
Trade and other receivables	1,693,903
Trade and other payables	(2,320,770)
Borrowings	(700,000)
Advance receipts from customers	(2,113,753)
Income tax payables	(25,436)
Deferred tax liabilities	(136,982)
Total identifiable net assets	396,613

The revenue included in the consolidated income statement since 30 September 2016 contributed by Shanghai Yuanhui was RMB1,561,419,000. Shanghai Yuanhui also contributed profit of RMB237,476,000 over the same period.

Had Shanghai Yuanhui been consolidated from 1 January 2016, the consolidated income statement would show pro-forma revenue of RMB1,561,419,000 and profit of RMB263,014,000.

49 BUSINESS COMBINATIONS (CONTINUED)

(c) On 1 July 2016, the Group acquired 51% of the equity interests of Beijing Yuansheng Real Estate Co., Ltd. ("Beijing Yuansheng"), a real-estate developer in Beijing, at a consideration of RMB1,255,000,000. As a result of the acquisition, Beijing Yuansheng became wholly owned subsidiary from the associate of the Group.

The following table summarises the consideration paid for Beijing Yuansheng, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2016 RMB'000
Cash consideration paid	1,255,000
Fair value of equity interest in Beijing Yuansheng held before the business combination	1,085,139
Total	2,340,139
Identifiable net assets acquired	(2,214,570)
Goodwill	125,569
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	388,751
Property, plant and equipment	111
Properties under development	3,532,297
Completed properties held for sale	671,970
Trade and other receivables	2,557,550
Trade and other payables	(760,536)
Borrowings	(1,000,000)
Advance receipts from customers	(3,154,985)
Income tax payables	(13,712)
Deferred tax liabilities	(6,876)
Total identifiable net assets	2,214,570

The revenue included in the consolidated income statement since 1 July 2016 contributed by Beijing Yuansheng was RMB3,900,882,000. Beijing Yuansheng also contributed profit of RMB405,289,000 over the same period.

Had Beijing Yuansheng been consolidated from 1 January 2016, the consolidated income statement would show pro-forma revenue of RMB4,261,292,000 and profit of RMB240,180,000.

50 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) On 30 September 2016, the Group acquired an additional 30% of the issued shares of Sanya Nanguo Olympic Garden Limited for a purchase consideration of RMB18,862,000. The carrying amount of the non-controlling interests in the Group on the date of acquisition was RMB143,818,000. The Group recognized a decrease in non-controlling interests of RMB143,818,000 and a increase in equity attributable to owners of the company of RMB124,956,000.

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:

	2016 RMB'000
Carrying amount of non-controlling interests acquired	143,818
Consideration paid to non-controlling interests	(18,862)
Gains on acquisition of additional interests within equity	124,956

(b) On 31 August 2016, the Group acquired an additional 6.29% of the issued shares of Beijing Incom Resources Recovery Recycling Co. for a purchase consideration of RMB22,749,000. The carrying amount of the non-controlling interests in the Group on the date of acquisition was RMB11,166,000. The Group recognized a decrease in non-controlling interests of RMB11,166,000 and a decrease in equity attributable to owners of the company of RMB11,583,000.

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:

	2016 RMB'000
Carrying amount of non-controlling interests acquired	11,166
Consideration paid to non-controlling interests	(22,749)
Excess of consideration paid recognized within equity	(11,583)

51 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 2016 and 2015:

(a) Provision of services to:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
— A shareholder	**87,515**	46,695
— Joint ventures	**358,927**	972,960
— Associates	**300,351**	313,029
	746,793	1,332,684

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	
	2016	2015
	RMB'000	RMB'000
A joint venture	**379,453**	362,994

(c) Purchase of investment properties from:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
A joint venture	**124,508**	–

51 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**35,771**	36,017
Post-employment benefits	**7,432**	5,166
Other long-term welfare	**1,106**	1,098
Share-based payments	**61,504**	43,319
	105,813	85,600

(e) Year-end balances arising from sales and purchases of properties and services

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Receivables from related parties:		
— A shareholder	**30,212**	–
— Joint ventures	**179,385**	72,862
— Associates	**258,759**	363,375
	468,356	436,237
Advance from related parties:		
— A shareholder	**–**	10,683
— Joint ventures	**121,050**	128
— Associates	**39,441**	159,292
	160,491	170,103
Trade payables due to related parties:		
— A joint venture	**–**	194,348
— An associate	**360**	–
	360	194,348

(i) Sales of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreements.

51 RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Interest income

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest received:		
— Joint ventures	**593,622**	579,742
— Associates	**64,340**	158,498
	657,962	738,240

(g) Loans to related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**9,583,233**	8,642,355
Loans advanced during year	**4,561,458**	20,769,498
Loans repayments received	**(6,154,571)**	(19,828,620)
Increase due to partial disposal of a subsidiary	**450,000**	–
Decrease due to disposal of joint ventures	**(2,338,320)**	–
interest charged	**(593,622)**	(579,742)
Interest received	**593,622**	579,742
At 31 December (Note 22(c))	**6,101,800**	9,583,233
Associates:		
At 1 January	**1,969,083**	490,000
Loans advanced during year	**125,413**	3,350,736
Loans repayments received	**(1,477,390)**	(1,871,653)
Interest charged	**(64,340)**	(158,498)
Interest received	**64,340**	158,498
At 31 December (Note 22(d))	**617,106**	1,969,083

51 RELATED PARTY TRANSACTIONS (CONTINUED)

(h) Amounts due from related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Subsidiary of a shareholder		
At 1 January	–	300,000
Amounts advanced during year	–	(300,000)
At 31 December	–	–
Joint ventures:		
At 1 January	**7,165,797**	5,880,494
Amounts advanced during year	**5,587,251**	17,449,026
Repayments during year	**(5,894,619)**	(16,163,723)
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	**712,375**	–
Decrease due to disposal of joint ventures	**(2,762,651)**	–
At 31 December (Note 22(g))	**4,519,138**	7,165,797
Associates:		
At 1 January	**2,645,054**	395,419
Amounts advanced during year	**4,195,947**	3,515,306
Repayments during year	**(3,863,948)**	(1,265,671)
Decrease due to deemed disposal of an associate	**(239,514)**	–
Increase due to partial disposal of a subsidiary	**90,660**	–
At 31 December (Note 22(g))	**2,828,199**	2,645,054

51 RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Loans from related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
A shareholder:		
At 1 January	–	–
Loans advanced during year	–	(530,092)
Repayments during year	–	530,092
Interest charged	–	6,365
Interest paid	–	(6,365)
At 31 December	–	–
Joint ventures:		
At 1 January	–	1,187,610
Loans advanced during year	**66,001**	309,296
Repayments during year	–	(1,496,906)
Interest charged	–	17,318
Interest paid	–	(17,318)
At 31 December (Note 33(b)(iv))	**66,001**	–
An associate:		
At 1 January	–	–
Loans advanced during year	**200,000**	320,000
Repayments during year	**(200,000)**	(320,000)
Interest charged	**4,685**	4,685
Interest paid	**(4,685)**	(4,685)
At 31 December	–	–

51 RELATED PARTY TRANSACTIONS (CONTINUED)

(j) Amounts due to related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**816,242**	372,445
Amounts advanced during year	**17,681,258**	6,342,799
Repayments during year	**(7,594,520)**	(5,899,002)
Decrease due to deemed disposal of joint ventures	**(2,325,286)**	–
Decrease due to disposal of joint ventures	**(7,943)**	–
At 31 December (Note 35(i))	**8,569,751**	816,242
Associates:		
At 1 January	**3,709,506**	1,083,999
Amounts advanced during year	**2,282,688**	5,026,896
Repayments during year	**(3,578,259)**	(5,474,880)
Increase due to partial disposal of subsidiaries	**–**	3,073,491
Decrease due to deemed disposal of an associate	**(1,798,743)**	–
At 31 December (Note 35(i))	**615,192**	3,709,506

52 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**3,426,931**	3,451,538
Current assets			
Amounts due from subsidiaries		**29,121,652**	34,409,682
Other receivables		**2,060**	2,060
Cash and cash equivalents		**54,067**	112,843
		29,177,779	34,524,585
Total assets		**32,604,710**	37,976,123
EQUITY			
Capital	(a)	**26,920,490**	26,915,412
Reserves	(b)	**410,261**	457,338
Retained earnings	(c)	**910,841**	818,325
Total equity		**28,241,592**	28,191,075
LIABILITIES			
Non-current liabilities			
Borrowings		**–**	4,631,024
Current liabilities			
Borrowings		**4,297,800**	2,542,535
Amounts due to subsidiaries		**–**	2,532,866
Other payables		**65,318**	78,623
		4,363,118	5,154,024
Total liabilities		**4,363,118**	9,785,048
Total equity and liabilities		**32,604,710**	37,976,123

Approved by the Board of Directors on 30 March 2017

LI Ming
Executive Director

SUM Pui Ying
Executive Director

52 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Capital movement of the Company

	RMB'000
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**
At 1 January 2015	26,708,812
Issue of shares pursuant to exercise of employee share options	196,964
Issue of scrip dividends	9,474
Vesting of shares under Restricted Share Award Scheme	162
At 31 December 2015	26,915,412

(b) Reserve movement of the Company

	RMB'000
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 Restricted Share Award Scheme	**(181,439)**
At 31 December 2016	**410,261**
At 1 January 2015	486,352
Share based payment	89,269
Issue of shares pursuant to exercise of employee share options	(53,799)
Vesting of shares under Restricted Share Award Scheme	(162)
Purchase of Restricted Share Award Scheme	(64,322)
At 31 December 2015	457,338

(c) Retained earnings

	RMB'000
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**
At 1 January 2015	992,361
Profit for the year	1,330,983
Dividends relating to 2014	(980,084)
Dividends relating to 2015	(464,478)
Share buyback	(60,457)
At 31 December 2015	818,325

53 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											
	2016						2015					
	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
Chairman												
Mr. Li Ming	–	5,360	5,620	1,106	15,415	27,501	–	5,360	3,775	1,098	10,647	20,880
Executive directors												
Mr. Sum Pui Ying	–	4,260	243	–	4,733	9,236	–	–	–	–	–	–
Mr. Wen Haicheng	–	2,000	108	–	4,687	6,795	–	1,800	98	–	3,687	5,585
Mr. Li Hongbo (i)	–	2,691	108	–	2,122	4,921	–	–	–	–	–	–
Mr. Li Hu (i)	–	1,250	82	–	267	1,599	–	–	–	–	–	–
Mr. Wang Yeyi (i)	243	–	–	–	267	510	–	–	–	–	–	–
Mr. Kwok Kin Ho (ii)	70	–	–	–	–	70	106	–	–	–	54	160
Ms. Liu Hui (ii)	–	–	–	–	–	–	–	928	23	–	1,843	2,794
Mr. Chen Runfu (iii)	–	–	–	–	–	–	–	2,000	98	–	3,568	5,666
Mr. Cheung Vincent Sai Sing (iii)	–	–	–	–	–	–	187	–	–	–	98	285
Non-executive directors												
Mr. Yao Dafeng (i)	243	–	–	–	267	510	–	–	–	–	–	–
Ms. Shangguan Qing (i)	243	–	–	–	267	510	–	–	–	–	–	–
Mr. Fang Jun	–	–	–	–	448	448	–	–	–	–	201	201
Mr. Yang Leyu (ii)	70	–	–	–	–	70	106	–	–	–	54	160
Mr. Yang Zheng (ii)	–	–	–	–	43	43	–	–	–	–	283	283
Mr. Chung Chun Kwong, Eric (iii)	–	–	–	–	–	–	187	–	–	–	72	259
Mr. Zhao Lijun (i)	–	–	–	–	–	–	–	–	–	–	–	–
Independent non-executive directors												
Mr. Tsang Hing Lun	313	–	–	–	480	793	293	–	–	–	271	564
Mr. Han Xiaojing	313	–	–	–	480	793	293	–	–	–	289	582
Mr. Suen Man Tak	313	–	–	–	267	580	11	–	–	–	–	11
Mr. Wang Zhifeng (i)	244	–	–	–	267	511	–	–	–	–	–	–
Mr. Jin Qingjun (i)	243	–	–	–	267	510	–	–	–	–	–	–
Mr. Gu Yunchang (ii)	69	–	–	–	–	69	293	–	–	–	289	582
Mr. Zhao Kang (iii)	–	–	–	–	–	–	282	–	–	–	170	452
	2,364	15,561	6,161	1,106	30,277	55,469	1,758	10,088	3,994	1,098	21,526	38,464

(i) On 20 March 2016, Mr. Li Hu, Mr. Wang Yeyi and Mr. Li Hongbo were appointed as executive directors, Mr. Yao Dafeng and Ms. Shangguan Qing were appointed as non-executive directors, Mr. Wang Zhifeng and Mr. Jin Qingjun were appointed as independent non-executive directors. Mr. Zhao Lijun was appointed as a non-executive director on 25 October 2016.

(ii) On 20 March 2016, Ms. Liu Hui and Mr. Kwok Kin Ho were resigned as the executive directors, Mr. Yang Leyu and Mr. Gu Yunchang were resigned as the non-executive director and the independent non-executive director, respectively, of the Company. Mr. Yang Zheng was resigned as the non-executive director of the Company on 25 October 2016.

(iii) In year 2015, Mr. Chen Runfu and Mr. Cheung Vincent Sai Sing were resigned as the executive director, Mr. Chung Chun Kwong, Eric was resigned as the non-executive director, and Mr. Zhao Kang were resigned as the independent non-executive director.

53 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(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.

54. SUBSEQUENT EVENT

On 15 March 2017, the Company obtained the approval from the National Association of Financial Market Institutional Investor in the PRC for registration and proposed issue of Medium-term Notes in an aggregate amount of not more than RMB 10 billion in multiple tranches as and when appropriate.

On 23 March 2017, the first tranche Medium-term Notes were issued in an aggregate amount of RMB 4 billion in two series: i) RMB 2 billion with coupon rate of 4.77% per year of a term of three years, and ii) RMB 2 billion with coupon rate of 5.05% per year of a term of five years.

Five-Year Financial Summary

	2016	2015	2014	2013	2012
Revenue	**34,551**	30,824	38,896	31,099	28,658
Gross Profit	**7,636**	6,354	8,167	7,547	7,699
Profit attributable to owners of the Company	**3,812**	2,384	4,597	4,075	3,796
Total assets	**151,265**	148,185	132,212	137,869	128,305
Total liabilities	**101,935**	99,995	87,829	94,424	86,258
Shareholders' equity	**43,999**	43,764	43,024	40,058	38,260
Total equity	**49,330**	48,190	44,383	43,445	42,046

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	CBD Z6 地塊(北京)	CBD Plot Z6 (Beijing)		
2			CBD Z13 地塊(北京)	CBD Plot Z13 (Beijing)		
3			昌平未來科技城F2項目(北京)	Changping Sci-tech Park F2 Project (Beijing)		
4			通州核心區地塊(北京)	Core Center Plot, Tongzhou District (Beijing)		
5			遠洋萬和風景(北京)	Eternal Scenery (Beijing)		
6			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
7			頤堤港(北京)	INDIGO (Beijing)	將台商務中心	Jiangtai Business Center
8			26街區(北京)	26 Block (Beijing)	順義佳利華項目	Jialihua Project, Shunyi District
9			麗澤商務區項目(北京)	Lize Business District Project (Beijing)		
10			密之雲項目(北京)	Mizhiyun Project (Beijing)		
11			順義南法信項目(北京)	Nanfaxin Project, Shunyi District (Beijing)		
12			遠洋都市網景(北京)	Ocean Cityscape (Beijing)		
13			遠洋 • 萬和公館(北京)	Ocean Crown (Beijing)	大望京項目	Dawangjing Project
14			遠洋天著春秋(北京)	Ocean Epoch (Beijing)	石景山區劉娘府項目	Liuniangfu Project, Shijingshan District
15			遠洋新幹線(北京)	Ocean Express (Beijing)		
16			遠洋 • 萬和城(北京)	Ocean Great Harmony (Beijing)		
17			遠洋公館(北京)	Ocean Honored Chateau (Beijing)		
18			遠洋國際中心(北京)	Ocean International Center (Beijing)		
19			遠洋國際中心二期(北京)	Ocean International Center, Phase II (Beijing)	京棉項目	Jingmian Project
20			遠洋山水(北京)	Ocean Landscape (Beijing)		
21			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
22			遠洋 • LA VIE(北京)	Ocean LA VIE (Beijing)		
23			遠洋 • 傲北(北京)	Ocean Manor (Beijing)	北七家	Beiqijia Project
24			遠洋萬和四季(北京)	Ocean Melody (Beijing)		
25			遠洋新天地(北京)	Ocean Metropolis (Beijing)	門頭溝新城項目	Mentougou New Town Project
26			遠洋 • 光華國際(北京)	Ocean Office Park (Beijing)		
27			遠洋 • 東方公館(北京)	Ocean Oriental Mansion (Beijing)	通州玉橋項目	Tongzhou Yuqiao Project
28			遠洋 • 天著(北京)	Ocean Palace (Beijing)	亦庄三羊項目	Yizhuang Sanyang Project
29			遠洋天地(北京)	Ocean Paradise (Beijing)		
30			遠洋大廈(北京)	Ocean Plaza (Beijing)		
31			遠洋風景(北京)	Ocean Prospect (Beijing)		
32			遠洋新仕界(北京)	Our New World (Beijing)	遠洋春天著	Ocean Spring
33			遠洋未來廣場(北京)	Ocean We-life Plaza (Beijing)		
34			門頭溝新城6002地塊(北京)	Plot 6002, Mentougou New Town (Beijing)		
35			遠洋一方(北京)	POETRY OF RIVER (Beijing)		
36			遠洋 • 新悅(北京)	The Place (Beijing)	遠洋一方東區	Poetry of River Eastern Area
37			香河萬潤項目(北京)	Xian He Wan Run Project (Beijing)		
38			通州西集C地塊(北京)	Xiji Plot C, Tongzhou District (Beijing)		
39			麗澤商務區項目(北京)	Lize Business District Project (Beijing)		
40			奕莊汽車大廈項目(北京)	Yizhuang Motor Tower Project (Beijing)		

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	Region	Cities	Project names (Chinese)	Project names (English)	Project names used before (Chinese)	Project names used before (English)
41		Tianjin	海河教育園13號地塊(天津)	Haihe Jiaoyuyuan Plot 13 (Tianjin)		
42			海河教育園14號地塊(天津)	Haihe Jiaoyuyuan Plot 14 (Tianjin)		
43			遠洋香奈(天津)	Ocean Chanson (Tianjin)	奧萊二期居住項目	Outlets Phase II Residential Project
44			遠洋城(天津)	Ocean City (Tianjin)		
45			遠洋新幹線(天津)	Ocean Express (Tianjin)		
46			遠洋 • 萬和城(天津)	Ocean Great Harmony (Tianjin)	倪黃莊項目	Nihuangzhuang Project
47			遠洋心裡(天津)	Ocean Inside (Tianjin)	濱海新區港濱路項目	Gangbin Road Project, Binhai New District
48			遠洋國際中心(天津)	Ocean International Center (Tianjin)		
49			遠洋天地(天津)	Ocean Paradise (Tianjin)	海河新天地	Ocean Paradise
50			遠洋風景(天津)	Ocean Prospect (Tianjin)		
51			遠洋未來廣場(天津)	Ocean We-life Plaza (Tianjin)		
52			紅熙郡一期(天津)	Royal River Phase I (Tianjin)	武清項目	Wuqing Project
53			紅熙郡二期(天津)	Royal River Phase II (Tianjin)		
54			北辰宜興埠項目(天津)	Yixingbu Project, Beichen District (Tianjin)		
55	Northeast Region	Dalian	香頌花城(大連)	Chanson Garden (Dalian)		
56			遠洋 • 鑽石灣(大連)	Ocean Diamond Bay (Dalian)		
57			遠洋壹中心(大連)	Ocean MIDTOWN (Dalian)	西山項目	Xishan Project
58			遠洋廣場(大連)	Ocean Plaza (Dalian)		
59			遠洋風景(大連)	Ocean Prospect (Dalian)		
60			遠洋自然(大連)	Ocean Seasons (Dalian)		
61			紅星海世界觀(大連)	Ocean Worldview (Dalian)		
62			遠洋創智高地(大連)	Sino-Ocean Technopole (Dalian)	IT 產業園 — 工業部分	IT Zone — Industrial
63			榮域(大連)	The Place of Glory (Dalian)	中華路3號地	Zhonghua Road Land Plot #3
64			小窑灣項目(大連)	Xiaoyao Bay Project (Dalian)		
65			中華路2號地(大連)	Zhonghua Road Plot #2 (Dalian)	遠洋温德姆至尊豪庭大酒店	Wyndham Grand Plaza Royale Sino-Ocean
66		Shenyang	遠洋大河宸章項目(瀋陽)	Grand Canal Milestone (Shenguang)		
67			遠洋天地(瀋陽)	Ocean Paradise (Shenyang)		
68			遠洋公館(瀋陽)	Ocean Residence (Shenyang)		
69		Changchun	遠洋 • 戛納小鎮(長春)	Ocean Cannes Town (Changchun)	長春淨月項目	Jingyue Project

	Region	Cities	Project names (Chinese)	Project names (English)	Project names used before (Chinese)	Project names used before (English)
70	Central Region	Shanghai	崇明東灘花園項目(上海)	Chongming Dongtan Project (Shanghai)		
71			東海商業項目(上海)	East Ocean Center (Shanghai)		
72			遠洋 • 財富中心(上海)	Ocean Fortune Center (Shanghai)		
73			金頤安妮院項目(上海)	Jinyi Project (Shanghai)		
74			科恩大廈項目(上海)	Ke En Project (Shanghai)		
75			遠洋 7 號(上海)	Ocean Mansion No.7 (Shanghai)		
76			遠洋萬和四季(上海)	Ocean Melody (Shanghai)	惠南項目	Huinan Project
77		Hangzhou	大運河商務區項目(杭州)	Canal Business Center Project (Hangzhou)		
78			遠洋香奈(杭州)	Ocean Chanson (Hangzhou)	江幹區丁橋 R21–15項目	Dingqiao R21–15 Project, Jianggan District
79			遠洋心裡(杭州)	Ocean In Your Heart (Hangzhou)	普福項目	Pufu Project
80			遠洋公館(杭州)	Ocean Mansion (Hangzhou)	遠洋公館	Canal Commercial District
81			遠洋萬和四季(杭州)	Ocean Melody (Hangzhou)	江幹區彭埠項目	Pengbu Project, Jianggan District
82			上塘宸章（杭州）	Natural Masterpiece (Hangzhou)	拱墅區天馬廠南地塊	South block of Tianma in Gongshu District
83		Nanjing	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
84			遠洋國際中心(南京)	Ocean International Center (Nanjing)		
85		Huangshan	遠洋桃花島(黃山)	An Island Paradise (Huangshan)	桃花島項目	Taohuadao Project
86		Qingdao	遠洋風景(青島)	Ocean Prospect (Qingdao)		
87			遠洋自然(青島)	Ocean Seasons (Qingdao)		
88			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
89		Wuhan	賀家墩項目(武漢)	Hejiadun Project (Wuhan)	有座莊園	Tangchen Project
90			遠洋莊園(武漢)	Ocean Manor (Wuhan)		
91			遠洋 • 世界(武漢)	Ocean World (Wuhan)		

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	Region	Cities	Project names (Chinese)	Project names (English)	Project names used before (Chinese)	Project names used before (English)
92	Southern Region	Shenzhen	遠洋新幹線(深圳)	Ocean Express (Shenzhen)	南聯項目	Nanlian Project
93			遠洋新天地(深圳)	Ocean Metropolis (Shenzhen)	盛平項目	Shengping Project
94			水灣項目(深圳)	Shuiwan Project (Shenzhen)		
95			荔山項目(深圳)	Lishan Project (Shenzhen)		
96		Guangzhou	遠洋天驕(廣州)	Elite Palace (Guangzhou)	廣州粵隆客車廠	Yuelong Project
97			白雲區穗花項目(廣州)	Honoka Project in Baiyun District (Guangzhou)		
98		Zhongshan	大信融佳項目(中山)	Da Xin Rong Jia Project (Zhongshan)		
99			金馬遊藝廠項目(中山)	Jin Ma You Yi Chang Project (Zhongshan)		
100			遠洋香堤(中山)	Ocean Aromas (Zhongshan)	連興圍項目	Lianxingwei Project
101			遠洋錦上(中山)	Ocean Bloom (Zhongshan)	東鳳項目	Dongfeng Project
102			遠洋城(中山)	Ocean City (Zhongshan)		
103			遠洋翡麗郡一期(中山)	Ocean Emerald Phase I (Zhongshan)	南頭項目	Nantou Project
104			遠洋翡麗郡二期(中山)	Ocean Emerald Phase II (Zhongshan)		
105			遠洋一方(中山)	Ocean Magic City (Zhongshan)	新家園II期項目	Xinjiayuan Phase II
106			遠洋啟宸(中山)	Ocean New Era (Zhongshan)	橫欄項目	Henglan Project
107			遠洋新悦（中山）	The Place (Zhongshan)		
108		Hong Kong	將軍澳日出康城六期(香港)	LOHAS Park Package 6, Tseung Kwan O (Hong Kong)		
109		Haikou	遠洋華墅(海口)	Ocean Zen House (Haikou)	遠洋浮木陣	Ocean Driftwood Array
110		Sanya	遠洋公館(三亞)	Ocean Mansion (Sanya)	遠洋奧林匹克公館	Ocean Olympics
111			棠棣項目一期(三亞)	Tang Di Project (Sanya)		
112			亞龍灣西山渡項目(三亞)	Mountain Creek (Sanya)		
113		Chongqing	九龍坡區高廟地塊(重慶)	Gaomiao Plot, Jiulongpo District (Chongqing)		
114			九龍坡區高廟地塊二期(重慶)	Gaomiao Project, Phase II, Jiulongpo District (Chongqing)		
115			渝北區九曲河2號地（重慶）	Jiuquhe Plot 2 of Yubei District		
116			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
117		Chengdu	睿東中心(成都)	Pinnacle One (Chengdu)	大慈寺項目	Dacisi Project
118			成都遠洋太古里(成都)	Sino-Ocean Taikoo Li Chengdu (Chengdu)		