THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **Sino-Ocean Group Holding Limited**, you should at once hand this circular to the purchaser or transferee or to a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

遠洋集團
SINO-OCEAN GROUP

(1) INVESTMENT IN A PROPERTY DEVELOPMENT COMPANY — VERY SUBSTANTIAL ACQUISITION AND GRANT OF CALL OPTIONS — POSSIBLE MAJOR TRANSACTIONS (2) RE-ELECTION OF RETIRING DIRECTOR AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A notice convening the EGM of Sino-Ocean Group Holding Limited to be held at Meeting Room, 31st Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC on Wednesday, 17 March 2021 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed to this circular and is also published on the website of the Stock Exchange. If you intend to appoint a proxy to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e., not later than 9:30 a.m. on Monday, 15 March 2021 (Hong Kong Time)), or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

(1) Compulsory temperature screening/checks

(2) Wearing of surgical face mask

Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue.

For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy instead of attending the EGM in person. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment thereof should they so wish.

24 February 2021

Sino-Ocean Group Holding Limited

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

Stock Code : 03377

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

(1) Compulsory temperature screening/checks will be carried out on every attendee at the entrance of the EGM venue.

(2) Every attendee will be required to wear a surgical face mask throughout the EGM and sit at a distance from other attendees.

Attendees are requested to observe and practise good personal hygiene at all times at the EGM venue.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements when at appropriate. Shareholders should check the Company's website and/or the Stock Exchange's website for future announcements and updates on the EGM arrangements.

For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy instead of attending the EGM in person. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment thereof should they so wish.

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In this circular, unless the contents otherwise requires, the following expressions have the meanings as set out below.

"Additional Funding"	has the meaning ascribed to it under the section headed "**The principal terms of the investment — 2. The Shareholders Agreement and the MOU**" of the letter from the Board
"Agreements"	the documentation to formalise the arrangement with respect to the Investment as described in the section headed "**The principal terms of the investment**" of the letter from the Board, including (i) the MOU; (ii) the Shareholders' Agreement; (iii) the Capital Increase Agreement; (iv) the INDIGO 1 Options Agreement; and (v) the Retained Property Agreement
"Beijing Rural Area Equity Exchange"	Beijing Rural Area Equity Exchange* (北京農村產權交易所), an indirect subsidiary of Beijing Capital Group Co., Ltd, which in turn is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing
"Board"	the board of directors of the Company
"Capital Increase Agreement"	the capital increase agreement for the Investment dated 18 December 2020 entered into between the Existing Shareholder, the Subsidiaries, the JV Partner and the Target Company
"Company"	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 03377)
"connected persons"	has the meaning ascribed to it under the Listing Rules

"Contribution"	RMB23,000,000,000, being the contribution including capital contribution of RMB9,500,000,000, Shareholders' Loan of RMB2,600,000,000 and Additional Funding of RMB10,900,000,000; the Subsidiaries' contribution will be RMB6,165,000,000, RMB1,684,540,000 and RMB7,085,000,000 for the capital contribution, Shareholders' Loan and the Additional Funding, respectively; the JV Partner's contribution will be RMB3,325,000,000, RMB910,000,000 and RMB3,815,000,000 for the capital contribution, Shareholders' Loan and Additional Funding, respectively; and the Existing Shareholder's contribution will be RMB10,000,000 and RMB5,460,000 for the capital contribution and Shareholders' Loan, respectively
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at Meeting Room, 31st Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC on Wednesday, 17 March 2021 at 9:30 a.m. or any adjournment thereof
"Enlarged Group"	the Company upon completion of the capital contribution to the Target Company
"Existing Shareholder"	Beijing Xingtai Hongxin Asset Management Co., Ltd.* (北京星泰泓信資產管理有限公司), a collective enterprise established in the PRC with limited liability, indirectly and wholly owned by the Jiangtai Township Government
"First Call Option"	has the meaning ascribed to it under the section headed "**The principal terms of the investment — 2. The Shareholders Agreement and the MOU**" of the letter from the Board
"First Subsidiary"	Beijing Yingyu Enterprise Management Consulting Co., Ltd.* (北京穎煜企業管理諮詢有限公司), a wholly-owned subsidiary of the Company established under the laws of the PRC with limited liability
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Investor"	has the meaning ascribed to it under the section headed "**The principal terms of the investment — 2. The Shareholders Agreement and the MOU**" of the letter from the Board
"Investment"	the investment in a 99.79% interest in the Target Company jointly by the Subsidiaries and the JV Partner
"INDIGO 1 Holding Company"	Beijing Linlian Real Estate Company Limited (北京麟聯置業有限公司), a company established under the laws of the PRC with limited liability
"INDIGO 1 Options Agreement"	the agreement dated 15 December 2020 entered into between, among others, Swire China and Sino-Ocean China in relation to the Second Call Option and the Reciprocal Call Option
"Jiangtai Authority"	People's Government of Jiangtai Township, Chaoyang District, Beijing (北京市朝陽區將台鄉人民政府)
"JV Partner"	Shiny Harbour Limited, a wholly-owned subsidiary of Swire Properties incorporated in Hong Kong with limited liability
"Land"	the two parcels of land (namely, Lot 627 and Lot 628 under the land grant contracts dated 9 July 2020 entered into between the Target Company and the Beijing Municipal Commission (北京市規劃和自然資源委員會)) of 34,000 square meters and 44,298.68 square meters respectively located at Tuofangying Village, Jiangtai Township, Chaoyang Prefecture, Beijing (北京朝陽區將台鄉駝房營村)
"Latest Practicable Date"	19 February 2021, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lock-up Period"	the period from the date of the Shareholders' Agreement to the date of completion of the development of the Property
"MOU"	the legally binding memorandum of understanding dated 15 December 2020 entered into between Swire China and Sino-Ocean China
"PRC"	the People's Republic of China

"Property"	the property intended to be constructed on the Land
"Public Listing-for-sale"	the public listing-for-sale for a 99.79% interest in the Target Company conducted on the Beijing Rural Area Equity Exchange, which was held between 20 November 2020 and 17 December 2020 (both days inclusive).
"QPA"	Qualified Property Acquisition as defined in Rule 14.04(10C) of the Listing Rules
"Reciprocal Call Option"	has the meaning ascribed to it under the section headed "**The Principal Terms of the Investment — 3. The INDIGO 1 Options Agreement**" of the letter from the Board
"Retained Property"	has the meaning ascribed to it under the section headed "**Background to and Principal Terms of the Public Listing-for-sale — 2. General terms of the bidding**" of the letter from the Board
"Retained Property Agreement"	the agreement dated 18 December 2020 entered into between Jiangtai Authority, Beijing Chaoyang Jiangtai Township Agriculture, Industry and Commerce General Office Division* (北京市朝陽將台鄉農工商總公司), the Existing Shareholder, the First Subsidiary, the Second Subsidiary, the JV Partner and the Target Company with respect to the Retained Property
"RMB"	Renminbi, the lawful currency of PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Second Call Option"	has the meaning ascribed to it under the section headed "**The Principal Terms of the Investment — 3. The INDIGO 1 Options Agreement**" of the letter from the Board
"Second Subsidiary"	Tianjin Yigangtong Enterprise Management Co., Ltd.* (天津頤港通企業管理有限公司), a wholly-owned subsidiary of the Company established under the laws of the PRC with limited liability
"Shareholder(s)"	shareholder(s) of the Company
"Shareholders Agreement"	the shareholders' agreement dated 18 December 2020 entered into between the JV Partner, the Subsidiaries and the Existing Shareholder

"Shareholders' Loan"	has the meaning ascribed to it under the section headed "**The Principal Terms of the Investment — 2. The Shareholders Agreement and the MOU**" of the letter from the Board
"Share(s)"	ordinary share(s) of the Company with no nominal value
"Sino-Ocean China"	Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司), a wholly-owned subsidiary of the Company established in the PRC with limited liability
"Subsidiaries"	the First Subsidiary and the Second Subsidiary
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Swire China"	Swire Properties China Holdings Limited (太古地產中國控股有限公司), a wholly-owned subsidiary of Swire Properties incorporated in the British Virgin Islands with limited liability, the principal activity of which is investment holding
"Swire Properties"	Swire Properties Limited (太古地產有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Target Company"	Beijing Xingtaitonggang Properties Company Limited* (北京星泰通港置業有限公司), a company established in the PRC with limited liability
"USD"	United States dollars, the lawful currency of the United States of America
"%"	percentage

* *For identification purposes only*

远洋集團
SINO-OCEAN GROUP

Executive Directors:	*Registered office:*
Mr. LI Ming *(Chairman)*	Suite 601, One Pacific Place
Mr. WANG Honghui	88 Queensway
Mr. CUI Hongjie	Hong Kong
Non-executive Directors:	*Principal place of business:*
Mr. ZHAO Peng	31–33 Floor, Tower A
Mr. FU Fei	Ocean International Center
Mr. HOU Jun	56 Dongsihuanzhonglu
Ms. LI Liling	Chaoyang District,
	Beijing
Independent non-executive Directors:	PRC
Mr. HAN Xiaojing	
Mr. SUEN Man Tak	
Mr. WANG Zhifeng	
Mr. JIN Qingjun	
Ms. LAM Sin Lai Judy	

24 February 2021

To the Shareholders

Dear Sir or Madam,

(1) INVESTMENT IN A PROPERTY DEVELOPMENT COMPANY — VERY SUBSTANTIAL ACQUISITION AND GRANT OF CALL OPTIONS — POSSIBLE MAJOR TRANSACTIONS AND (2) RE-ELECTION OF RETIRING DIRECTOR

INTRODUCTION

Reference is made to the announcements of the Company dated (i) 18 December 2020 in relation to the Investment, the First Call Option and the Second Call Option; and (ii) 4 June 2020 in relation to the appointment of Mr. Cui Hongjie as an executive Director.

The purpose of this circular is to provide you with, among others, (i) further details about the Investment, the First Call Option and the Second Call Option; (ii) the re-election of the retiring Director; and (iii) the notice convening the EGM.

(1) INVESTMENT IN A PROPERTY DEVELOPMENT COMPANY — VERY SUBSTANTIAL ACQUISITION AND GRANT OF CALL OPTIONS — POSSIBLE MAJOR TRANSACTIONS

The Investment

On 18 December 2020, the Subsidiaries and the JV Partner were notified of their successful joint bidding in the Public Listing-for-sale held by the Beijing Rural Area Equity Exchange for an investment in a 99.79% equity interest in the Target Company.

Background to and Principal Terms of the Public Listing-for-sale

1. Background

According to the documents for the Public Listing-for-sale, prior to the Investment, the Target Company had a registered capital of RMB10 million, which was contributed by the Existing Shareholder. The principal asset of the Target Company is the land use rights of the Land.

2. General terms of the bidding

According to the documents for the Public Listing-for-sale, the Target Company intended to increase its registered capital from RMB10 million to RMB9.5 billion. The proceeds would be used to repay a portion of the outstanding loans owed by the Target Company. The successful bidder, as shareholder of the Target Company, shall also provide shareholders' loan to repay the remaining portion of such outstanding loans owed by the Target Company.

The Property to be constructed on the Land will have an aboveground gross floor area of no more than 400,500 square meters, out of which approximately 380,500 square meters shall be owned by the Target Company and 20,000 square meters (the "**Retained Property**") will be retained and owned by the Existing Shareholder on behalf of the Jiangtai Authority. The successful bidder will not be responsible for any of the expenses or costs incurred for the development of the Retained Property. Upon completion of the development, it is intended that the Retained Property will be managed by the Target Company or the property management company to be selected and appointed by the successful bidder.

3. Guarantee

The Company has given the Existing Shareholder and the Target Company a guarantee of the performance by the Subsidiaries of their respective obligations under the Investment including the capital contribution and the provision of (or cause to be provided) shareholder's loans.

The Principal Terms of the Investment

1. The Capital Increase Agreement

Capital Contribution

Set out below is a table showing the amount of capital contributions to be made by the Subsidiaries and the JV Partner to the Target Company and the shareholding structure in the Target Company upon completion of their capital contributions.

	As at the Latest Practicable Date Registered capital of the Target Company		**Upon completion of the capital contribution Registered capital of the Target Company**	
	(RMB)	*%*	*(RMB)*	*%*
the First Subsidiary	—	—	3,325,000,000	35.00%
the Second Subsidiary	—	—	2,829,729,200	29.79%
Subtotal	—	—	6,154,729,200	64.79%
the JV Partner	—	—	3,325,000,000	35.00%
the Existing Shareholder	10,000,000	100%	20,270,800	0.21%
Total	10,000,000	100%	9,500,000,000	100%

The capital contributions shall be made in the following manner:

(i) the Subsidiaries will make at least 30% of their capital contributions within 30 days of the date of the Capital Increase Agreement;

(ii) the JV Partner will make at least 30% of its capital contributions within 30 days of the completion of the registration of the JV Partner and the Subsidiaries as shareholders of the Target Company; and

(iii) the remainder of the capital contributions will be made on the earlier of (a) 180th day of registration of the JV Partner and the Subsidiaries as shareholders of the Target Company; and (b) 19 May 2021.

The retention of the 0.21% equity interest is not for commercial business purpose but for the Jiangtai Authority to perform its governmental function in respect of the development of the Land and for the benefit of the indigenous residents of Jiangtai Township, which can be evidenced by the fact that (i) the only supervisor of the Target Company will be appointed by the Existing Shareholder; (ii) the Existing Shareholder is not entitled to appoint any directors to the board of the Target Company; and (iii) the Existing Shareholder will not have any actual influence at the shareholder's level given its insignificant shareholding in the Target Company.

2. *The Shareholders Agreement and the MOU*

Total Contribution

The Contribution for the Investment shall be RMB23,000,000,000.

The Contribution comprises (i) capital contribution of RMB9,500,000,000; (ii) Shareholders' Loan of RMB2,600,000,000; and (iii) Additional Funding of RMB10,900,000,000.

The pro-rated capital contribution of the Existing Shareholder in the amount of RMB10,270,800 will be contributed by the Subsidiaries. The request for contribution of the Existing Shareholder's portion is a term of the documents for the Public Listing-for-sale and the arrangement for the contribution to be made by the Subsidiaries was agreed after arm's length discussion with the JV Partner having considered the overall benefits of the Investment and the relatively insignificant amount of such contribution compared to the size of the Investment. The Company is of the view that such contribution is fair and reasonable and in the interest of the Company and Shareholders as a whole.

The Subsidiaries' total contribution will be approximately RMB6,165,000,000, RMB1,684,540,000 and RMB7,085,000,000 for the capital contribution, Shareholders' Loan and the Additional Funding, respectively.

Financing of the Target Company

Shareholders of the Target Company will provide initial shareholders' loan of not more than RMB2,600,000,000 (the "**Shareholders' Loan**") to the Target Company in the amount pro-rated to their respective equity holdings in the Target Company. The Subsidiaries' portion of the Shareholders' Loan will amount to RMB1,684,540,000. The intended interest rate of the Shareholders' Loan will be 6.5% per annum. The interest rate was determined after arm's length negotiation between the Subsidiaries and the JV Partner to the Investment with reference to the above-five-year loan prime rate ("**LPR**") + 1.85%, which is the rate that may be obtained by the Target Company from third party lenders.

In addition to the capital contribution and the provision of the Shareholders' Loan, based on the current development plan for the Property, it is currently estimated that an additional amount of approximately RMB10,900,000,000 (the "**Additional Funding**"), which represents the total Contribution less the registered capital of the Target Company upon completion of the capital contribution and the amount of the Shareholders' Loan, will be required by the Target Company as future development costs and working capital.

It is intended that the Target Company will obtain the Additional Funding primarily by third-party financing. The Subsidiaries and the JV Partner agreed to provide credit enhancement (if required by the lender) with respect to the loans of the Target Company pro-rated to their respective equity holdings in the Target Company.

In the event that the Target Company is not able to borrow sufficient funds from third-party lenders in respect of the Additional Funding, it is intended that the JV Partner and the Subsidiaries shall provide further capital contribution or (preferably) additional shareholder's loan to the Target Company pro-rated to their respective equity holdings in the Target Company. The Subsidiaries' portion of the Additional Funding will be approximately RMB7,085,000,000.

Management of the Target Company

The Target Company's board shall comprise eight directors. The Subsidiaries together may appoint four directors and the JV Partner may also appoint four directors. A resolution at a board meeting of the Target Company shall be passed by no less than six directors. The supervisor of the Target Company will be appointed by the Existing Shareholder.

Any resolution at a general meeting of the Target Company shall be passed by shareholders holding not less than two-thirds of the total voting rights in the Target Company.

The First Call Option with respect to a 14.895% equity interest in the Target Company

For so long as the Target Company is owned as to 64.79%, 35% and 0.21% by the Subsidiaries, the JV Partner and the Existing Shareholder, respectively, the JV Partner has a right to require the Subsidiaries to transfer a 14.895% equity interest in the Target Company and the corresponding Shareholders' Loan to the JV Partner (the "**First Call Option**") such that the Subsidiaries and the JV Partner would hold equal shareholding of 49.895% in the Target Company.

The First Call Option may only be exercised upon commencement of the fourth year of the operational phase of the Property provided that the total rental income from the Property for the immediate 12 calendar months preceding the time of exercise of the First Call Option is higher than the total rental income of any other consecutive 12 calendar months period of the Property during the operation phase.

The consideration for the transfer of the 14.895% equity interest in the Target Company will be determined with reference to the average of the valuations of the Target Company by two independent valuers each appointed by the Subsidiaries and the JV Partner.

Lock up of equity interest in the Target Company

During the Lock-up Period, neither the JV Partner nor the Subsidiaries may transfer any equity interest in the Target Company (other than an intra-group transfer or transfer of any equity interest subject to the right of last refusal as explained in "*Possible introduction of a third-party investor*" below) without the unanimous approval of the remaining shareholders of the Target Company.

Possible introduction of a third-party investor

The Subsidiaries will use their best endeavours to identify and procure a third-party investor approved by both the Subsidiaries and the JV Partner (the "**Investor**") to invest in the Target Company.

Should the Investor be identified, the Subsidiaries may decide to transfer to the Investor a 29.79% equity interest in the Target Company and the corresponding Shareholders' Loan such that the Subsidiaries and the JV Partner would hold equal shareholding of 35% in the Target Company.

Should the Company proceed with the above disposal, it will comply with the applicable Listing Rules requirements.

Provided that the JV Partner has not exercised the First Call Option, the JV Partner is also entitled to a right of last refusal such that it may reject the introduction of the Investor and/or require the Subsidiaries to transfer a 14.895% equity interest in the Target Company and the corresponding Shareholders' Loan to the JV Partner.

3. *The INDIGO 1 Options Agreement*

(a) The Second Call Option

If the Subsidiaries default in their respective payment obligations to the capital contribution and the Shareholders' Loan, Swire China may require Sino-Ocean China to transfer to Swire China 50% interest in INDIGO 1 Holding Company, representing its entire interest in INDIGO 1 Holding Company (the "**Second Call Option**").

No premium is payable by Swire China for the grant of the Second Call Option. The exercise price of the Second Call Option is RMB2,700,000,000.

The exercise price was determined after arm's length negotiation between Sino-Ocean China and Swire China with reference to the implied valuation of INDIGO 1 Holding Company of approximately RMB5,400 million, which was determined with reference to an independent valuation of INDIGO 1 of approximately RMB6,900 million in December 2020 adjusted with certain assets and liabilities of INDIGO 1 Holding Company. The adjustments represent additions of other assets (mainly including cash and cash equivalents and trade and other receivables) of RMB213 million and exclusion of bank borrowings and other liabilities (mainly including trade and other payables excluding shareholders' loans) of RMB1,696 million of Indigo 1 Holding Company.

Given the basis of the exercise price and that the exercise price of the Second Call Option is mirrored in the Reciprocal Call Option granted by Swire China, the Board considers that that the exercise price is fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

If the Subsidiaries default in their payment obligations and Swire China exercises the Second Call Option, then the exercise price will be settled as follows:

(a) if the default amount equals the exercise price, then no amount will be payable by Swire China upon such exercise;

(b) if the default amount is less than the exercise price, the amount payable by Swire China will be the difference between the exercise price and the default amount; or

(c) if the default amount exceeds the exercise price, Sino-Ocean China shall pay Swire China the amount of such excess and no amount will be payable by the Swire China upon such exercise.

Under scenarios (a) to (c) above, the Subsidiaries' interest in the Target Company will remain as the percentage set out in the table under the section headed "The Principal Terms of the Investment — 1. The Capital Increase Agreement".

Under scenario (b), that is if the default amount is less than the exercise price, the remaining proceeds will be applied towards general working capital of the Company.

Under scenario (c), Swire China will have a claim against Sino-Ocean China for breach of contract.

(ii) The Reciprocal Call Option

The grant of the Second Call Option is reciprocated by the grant of a call option in its 50% interest in INDIGO 1 Holding Company held by Swire China to Sino-Ocean China, such that if the JV Partner defaults in the performance of its obligations to the capital contribution and the Shareholders' Loan, Sino-Ocean China may require Swire China to sell 50% interest in INDIGO 1 Holding Company, representing its entire interest in INDIGO 1 Holding Company, to Sino-Ocean China (the "**Reciprocal Call Option**").

No premium is payable for the grant of the Reciprocal Call Option. The exercise price of the Reciprocal Call Option is the same as the Second Call Option of RMB2,700,000,000. The settlement of the exercise price is also based on the same principles as the Second Call Option.

4. The Retained Property Agreement

The Retained Property will be located at the 9th floor, 10th floor to 14th floor of a commercial block under land parcel Lot-628. It will be developed for green offices (綠隔產業(辦公)).

Within 30 days of completion of final inspection of the Retained Property, the Existing Shareholder will apply to the relevant authority for the transfer of the title to the Retained Property.

While the Subsidiaries or the JV Partner will not be responsible for any of the expenses or costs incurred for the development of the Retained Property. Upon completion of the development, the Retained Property will be leased by and managed by the Target Company or the property management company to be selected and appointed by the successful bidder.

The First Subsidiary has deposited RMB250 million to an escrow account as the security deposit for the Retained Property in favour of the Existing Shareholder. The deposit will be refunded to the First Subsidiary upon registration of transfer of the title to the Retained Property or when a mutually agreed alternative asset is pledged to the Existing Shareholder (subject to compliance with the Listing Rules).

Information of the Target Company

The principal asset of the Target Company is the land use rights of the Land.

The Land is currently vacant with land levelling works being carried out on it. Under the land grant contracts, the proposed use of the Land is for greenbelt development (綠隔產業用地), including commercial, office, underground parking and underground storage uses.

Upon completion of the Investment, the Target Company will be accounted for as a joint venture of the Company in the consolidated financial statements of the Group.

The audited net deficit value of the Target Company (under Hong Kong Financial Reporting Standards, the "**HKFRS**") as at 31 December 2019 was approximately RMB42,249,000.

The audited net loss before and after tax of the Target Company under HKFRS for the two financial years ended 31 December 2019 was as follows:

	Year Ended 31 December	
	2018	**2019**
	(RMB'000)	*(RMB'000)*
Net loss before tax	(1,222)	(43)
Net loss after tax	(1,222)	(43)

Information of the Indigo 1 Holding Company

INDIGO 1 Holding Company is indirectly held by each of Swire China and Sino-Ocean China as to 50%.

It is principally engaged in property investment.

The principal asset of INDIGO 1 Holding Company comprises INDIGO 1.

It is accounted as a joint venture of the Company in the consolidated financial statements of the Group.

If the Second Call Option is exercised, it is estimated that the Company will recognise in its consolidated income statement an unaudited gain before tax of approximately RMB511 million. The actual gain or loss will be subject to audit and calculated as at the time of exercise of the Second Call Option.

The net asset value of INDIGO 1 Holding Company as at 31 December 2019 was approximately RMB1,465,372,000.

The net profit before and after tax of INDIGO 1 Holding Company for the two financial years ended 31 December 2019 was as follows:

	Year Ended 31 December	
	2018	**2019**
	(RMB'000)	*(RMB'000)*
Net profit before tax	107,889	110,410
Net profit after tax	107,889	103,558

Financial effect of the Investment on the assets and liabilities and earnings of the Group

Upon the completion of the Contribution attributable to the Group, it is expected the assets of the Group under "Investments in joint ventures" and "Trade and other receivables and prepayments", will be increased by the aggregate amount of the Contribution and the relevant capitalized transaction costs attributable to the Group. Subject to the availability of internal resources, the cash and cash equivalents of the Group will be decreased by the same amount and the liabilities of the Group under "Borrowings" or "Trade and other payables" (where appropriate) shall be increased accordingly.

The Group will also share the results of the Target Company according to its shareholding of the Target Company upon completion of Contribution attributable to the Group.

Financial Effect of the exercise of the First Call Option and the Second Call Option

(i) The First Call Option

Given the exercise price of the First Call Option will only be determined at the time of exercise of the First Call Option, the actual financial effects of the exercise of the First Call Option cannot be determined as at the Latest Practicable Date.

(ii) The Second Call Option

Upon exercise of the Second Call Option, subject to the final review of the Company's auditor, based on the consideration of RMB2,700 million and the management accounts of INDIGO1 Holding Company for the period ended 31 October 2020, the Company expects to record a gain of approximately RMB511 million upon completion of disposal of 50% interest in INDIGO 1 Holding Company, and thus the net asset value of the Group will increase by the same amount accordingly.

Reconciliation statement of the value of the Land and INDIGO 1

The following shows a reconciliation of the value of the Land as disclosed in Appendix V to this circular to the net book value of the Land as reflected in the statement of financial position of the Target Group as at 30 September 2020 as disclosed in Appendix II.

	RMB'000
Net book value of the Land as at 30 September 2020	11,256,150
Net changes (i.e. land development costs) during the period from 30 September 2020 to 31 December 2020	214,850
Net book value of the Land as at 31 December 2020	11,471,000
Fair value changes	—
Valuation of the Land as at 31 December 2020	11,471,000

The following shows a reconciliation of the value of INDIGO 1 as disclosed in Appendix VI to this circular to the net book value of INDIGO 1 as reflected in the management accounts of INDIGO 1 Holding Company for the year ended 31 December 2020.

	RMB'000
Net book value of INDIGO 1 as at 31 December 2020	6,783,966
Fair value changes	99,034
Valuation of INDIGO 1 as at 31 December 2020	6,883,000

Information of the Parties

1. The Subsidiaries and the Group

Each of the Subsidiaries is a wholly-owned subsidiary of the Company principally engaged in investment holding.

The Company is a company incorporated under the laws of Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of the Company is investment holding.

The Group is a leading large-scale national property developer with developments in rapidly growing Chinese cities and metropolitan regions, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region, the Western Region, and in other regions. Its business scope covers residential and integrated development, property development and operation, business collaboration and customer services.

2. The Existing Shareholder

As at the date of the MOU, the entire equity interest in the Target Company is wholly owned by the Existing Shareholder. The Existing Shareholder is indirectly and wholly owned by the Jiangtai Township Government (將台鄉政府), in the Chaoyang Prefecture (朝陽區) of Beijing.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Existing Shareholder and its ultimate beneficial owners is not a connected person of the Company (as defined under Listing Rules).

3. The JV Partner

The JV Partner is an investment holding company wholly owned by Swire Properties.

Swire Properties is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange. The principal activities of Swire Properties and its subsidiaries are: (a) property investment, that is the development, leasing and management of commercial, retail and some residential properties; (b) property trading, that is the development and construction of properties, principally residential apartments, for sale; and (c) investment in and operation of hotels.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, other than being a joint venture partner of certain projects of the Group, each of the JV Partner and its ultimate beneficial owners is not a connected person (as defined under Listing Rules) of the Company.

Reasons and Benefits

The Group is optimistic about, and is active in, exploring opportunities to broaden its investment in the property development market in the PRC. Riding on the Group's past experience in the real estate projects, the Board believes that the Investment is a rewarding business opportunity and will contribute considerable cash flow and profits for the Group.

The Property is located adjacent to an urban complex named INDIGO ("**INDIGO 1**") comprising a shopping mall, a Grade-A office tower and a hotel located in Beijing. The Company and the ultimate beneficial owner of the JV Partner each owns a 50% interest in the company which owns, develops and operates INDIGO 1.

The Contribution comprises (i) the capital contribution of RMB9,500 million, (ii) the Shareholders' Loan of RMB2,600 million, and (iii) the Additional Funding of RMB10,900 million.

The capital contribution and the Shareholders' Loan of aggregated RMB12,100 million at 5.5% premium to the comparable market value of the Land of RMB11,471 million were determined with reference to cost of the Land, historical development costs, short term capital needs of the Target Company, outstanding indebtedness of the Target Company and comparable market value of the Land of RMB11,471 million.

The Additional Funding of RMB10,900 million represents the future development costs and working capital required by the Target Company based on the current development plan of the Property.

The Group, the JV Partner and the Existing Shareholder have assessed the appropriateness of the Contribution with reference to various factors such as the economy of PRC, market demand of shopping mall, offices and hotel, market position of the property, performance of INDIGO 1, development plan, future prospect of the combined development of INDIGO 1 and the Property, interest rates, cash flow and profitability of the Property.

It is expected that the Property will comprise shopping complex, office buildings and a hotel. The shopping complex will bring more variety of shops and restaurants to customers and more spaces for events, enhance the shopping and overall visiting experience of customers, escalate the number of patrons, and ultimately increase the rental income. The office buildings to be built together with that in INDIGO 1 could form a dedicated and famous commercial rim for medium to mega size multinational corporation for their use and expansion and bring stable income to the Group. The hotel to be built is ancillary to the shopping complex and offices and in turn create synergy among themselves.

The Group is pleased to have the opportunity to cooperate with the JV Partner on the Investment after the success of INDIGO 1. Given the JV Partner's vast experience in the development and management of commercial, retail and residential properties, the Group is confident that the Group will benefit from its design, development, operation, and project management capabilities with respect to the Property.

The Company intends to fund its commitment to the Contribution with internal resources and/or third-party financing. Having considered the foregoing, the Board is of the view that the terms of the Agreements are on normal commercial terms, fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

Listing Rules Implications

1. ***Very substantial acquisition — Investment in the Target Company by the Subsidiaries***

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subsidiaries' portion of the Contribution exceeds 100%, the Investment constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

2. ***Possible major transaction — Grant of the First Call Option with respect to 14.895% equity interest in the Target Company***

The First Call Option is exercisable at the discretion of the JV Partner with the exercise price to be determined based on the then prevailing valuation of the Target Company at the time of exercise of the First Call Option. As the monetary value of the exercise price is not known at the time of grant of the First Call Option, the grant of the First Call Option will be classified as at least a major transaction for the Company pursuant to Rule 14.76(1) of the Listing Rules.

The grant of the First Call Option is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

If the First Call Option is exercised, then the Company will publish an announcement in relation to the exercise of the First Call Option including disclosing the consideration of the transfer.

3. *Possible major transaction — Grant of the Second Call Option with respect to 50% of equity interest in INDIGO 1 Holding Company*

Pursuant to Rule 14.74 of the Listing Rules, as the exercise of the Second Call Option is not at the Company's discretion, the grant of the Second Call Option will be classified as if it had been exercised.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Second Call Option exceeds 25% and less than 75%, the grant of the Second Call Option constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

If the Second Call Option is exercised, then the Company will publish an announcement in relation to the exercise of the Second Call Option.

4. *Waivers from strict compliance with Rule 14.34(2), Rule 14.40 and Rule 14.49 of the Listing Rules*

The Company has applied and the Stock Exchange has granted the following waivers from strict compliance with:

(a) Rule 14.34(2) with respect to the publication of an announcement as soon as practicable upon entering into the Agreements (including the grant of the First Call Option and the Second Call Option) and submission of the bid for the Public Listing-for-sale; and

(b) Rules 14.40 and 14.49 with respect to entering into the Agreements (including the grant of the First Call Option and the Second Call Option) and submission of the bid for the Public Listing-for-sale be conditional upon the Shareholders' approval.

The waivers were granted on the following basis.

(a) Practical difficulties in complying with Rule 14.34(2), Rule 14.40 and Rule 14.49

Compliance with Rule 14.34(2) of the Listing Rules would require the Company to publish an announcement at the time when the Agreements were entered into and when the bid is made. Announcing the terms of the Investment before the Subsidiaries and the JV Partner were confirmed to be successful would undermine the competitiveness of their bid as potential competitors would have access to such public information.

Compliance with Rule 14.49 and Rule 14.40 would require the Company to make the bid, the entering into of the Agreements (including the grant of the First Call Option and the Second Call Option) conditional upon the Shareholders' approval.

The Company is not able to comply with Rule 14.49 and Rule 14.40 because the MOU and the INDIGO 1 Options Agreement will have to be entered into before submitting the bid and the bid that the Subsidiaries and the JV Partner submit has to be unconditional. Upon securing the bid at the Public Listing-for-sale, they are obliged to proceed with the Investment on an unconditional basis. The Company will not, at that time, be able to seek the approval of the Shareholders which is required under Rule 14.49 and Rule 14.40.

(b) The investment of the Target Company is in substance a QPA

The Jiangtai Authority (i.e. a township government) is a governmental body pursuant to Articles 30, 95 and 105 of the PRC constitution. The bidding process is similar to a typical listing-for-sale of land in the PRC that qualifies as for a QPA. It is fairly structured and established, and bidders have no discretion to change pre-established terms. All the conditions under Rule 14.33A(2) is satisfied.

(c) Confirmations from the Shareholders holding more than 50% of the voting rights of the Company

The Company has obtained confirmation from shareholders of the Company, which together hold more than 50% of the voting rights of the Company, approving the Investment and the joint venture arrangements before submission of the joint bid by the Subsidiaries and the JV Partner.

(d) Preservation of information rights

Notwithstanding the grant of the waivers referred to above, the Company will carry out the following measures to ensure that the information rights of the Shareholders are protected:

- The Company will disclose in the circular to the Shareholders the principal terms of the Investment, the First Call Option, the Second Call Option, a valuation report of the Land and a valuation of INDIGO 1.

- The Company will convene a shareholders' meeting so as to provide the forum and opportunity for the Shareholders to ask questions and express their comments in connection with the Investment, the First Call Option and the Second Call Option.

(2) RE-ELECTION OF RETIRING DIRECTOR

As at the Latest Practicable Date, Mr. Li Ming, Mr. Wang Honghui and Mr. Cui Hongjie were the executive Directors; Mr. Zhao Peng, Mr. Fu Fei, Mr. Hou Jun and Ms. Li Liling were the non-executive Directors; and Mr. Han Xiaojing, Mr. Suen Man Tak, Mr. Wang Zhifeng, Mr. Jin Qingjun and Ms. Lam Sin Lai Judy were the independent non-executive Directors.

In accordance with Article 107 of the articles of association of the Company, Mr. Cui Hongjie, who was appointed by the Board to fill a casual vacancy on 5 June 2020, shall retire at the EGM and, being eligible, has offered himself for re-election as executive Director at the EGM.

Details of Mr. Cui Hongjie who has offered himself for re-election at the EGM are set out in Appendix VIII to this circular.

EGM

Voting in relation to (1) INVESTMENT IN A PROPERTY DEVELOPMENT COMPANY — VERY SUBSTANTIAL ACQUISITION AND GRANT OF CALL OPTIONS — POSSIBLE MAJOR TRANSACTIONS:

As the Company has obtained the waivers set out under the section headed "Listing Rules Implications — Waivers from strict compliance with 14.34(2), Rule 14.40 and Rule 14.49 of the Listing Rules", the Agreements were not entered conditional upon Shareholders' approval.

Had the Agreements made conditional upon Shareholders' approval, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders would be required to abstain from voting under the Listing Rules.

Voting in relation to (2) RE-ELECTION OF RETIRING DIRECTOR:

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

In the case of an equality of votes on a poll, the chairman shall, subject to the articles of association of the Company, be entitled to casting vote in addition to any other vote he may have.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders would be required to abstain from voting under the Listing Rules.

A notice convening the EGM to be held on Wednesday, 17 March 2021 at 9:30 a.m. at Meeting Room, 31st Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC is set out on pages EGM-1 to EGM-2 of this circular for the purpose of (a) providing the forum and opportunity for the Shareholders to ask questions and express their comments in connection with the Investment, the First Call Option and the Second Call Option; and (b) considering and, if thought fit, approving the re-election of retiring Director.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (i.e., not later than 9:30 a.m. on Monday, 15 March 2021 (Hong Kong Time)). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

BOOK CLOSURE FOR EGM ATTENDANCE

In order to ascertain the right to attend the EGM, the register of members of the Company will be closed from Monday, 15 March 2021 to Wednesday, 17 March 2021 (both days inclusive) during which period no transfer of Shares will be registered.

Shareholders are reminded that in order to be entitled to attend the EGM, 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 at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 12 March 2021.

RECOMMENDATION

The Board considers that the terms of the Investment, the First Call Option and the Second Call Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Had a general meeting been held, the Board would recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Investment, the First Call Option and the Second Call Option.

The Board considers that the re-election of the retiring Director is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders should vote in favour of the resolution to be proposed at the EGM as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the other sections and appendices in this circular, which contain further information about the Target Company, the Enlarged Group, the Land, INDIGO 1 and the biography of the Director to be re-elected and other information that need to be disclosed in accordance with the Listing Rules.

Yours faithfully,
By order of the Board
Sino-Ocean Group Holding Limited
Li Ming
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 are disclosed on pages 113 to 247 of the annual report of the Company for the year ended 31 December 2017, pages 109 to 272 of the annual report of the Company for the year ended 31 December 2018, pages 121 to 280 of the annual report of the Company for the year ended 31 December 2019, pages 60 to 99 of the interim report of the Company for the six months ended 30 June 2020, respectively, all of which are published on the website of the Stock Exchange at **http://www.hkexnews.hk/**, and the website of the Company at **https://www.sinooceangroup.com/.** Quick links to such financial information are set out below:

Annual report of the Company for the year ended 31 December 2017:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0412/ltn20180412988.pdf

Annual report of the Company for the year ended 31 December 2018:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0410/ltn201904101035.pdf

Annual report of the Company for the year ended 31 December 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0416/2020041600559.pdf

Interim report of the Company for the six months ended 30 June 2020

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0910/2020091000728.pdf

2. INDEBTEDNESS

As at the close of business on 31 December 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately RMB82,203,728,000 comprising:

(a) outstanding bank borrowings of approximately RMB24,592,102,000, among which RMB5,012,388,000 were secured by investment properties, properties under development, completed properties held for sale and equity interest in a certain subsidiary of the Group and RMB19,579,714,000 were unsecured;

(b) other borrowings of approximately RMB6,417,934,000,among which RMB4,197,073,000 were secured by investment properties, properties under development and equity interests in a certain subsidiary of the Group, and RMB2,220,861,000 were unsecured;

(c) corporate bonds of approximately RMB51,193,692,000;

As at 31 December 2020, the Group provided guarantees amounted to approximately RMB3,307,590,000 for borrowings of joint ventures and third party.

As at 31 December 2020, the Group provided guarantees amounted to RMB9,799,686,000 to secure repayments obligations of mortgage loan for certain customers.

As at 31 December 2020, lease liabilities of the Group were amounted to RMB147,931,000, among which RMB50,513,000 were current and RMB97,418,000 were non-current.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 December 2020 the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

Taking into account the Company's portion of Contribution and the financial resources available to the Enlarged Group, including the internally generated funds and available financing facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As at the Latest Practicable Date, the Group was principally engaged in property development and property investment in the PRC. Other operations as carried out by the Group mainly include property management services, property sales agency services, as well as upfitting services.

As disclosed in the 2020 interim report of the Company for the six months ended 30 June 2020, the Board noticed that competition in the property development industry was still fierce despite the pandemic of COVID-19, and is optimistic about, and is active in, exploring opportunities to broaden its investment in the property development market in the PRC. Riding on the Group's past experience in the real estate projects, the Board believes that the Investment is a rewarding business opportunity and will contribute considerable cash flow and profits for the Group in future.

Upon completion of the capital contribution to the Target Company, the Enlarged Group will continue to be principally engaged in property development and property investment in the PRC. The Group intends to develop the Land into the Property that is expected to comprise of shopping mall, Grade-A office tower and a hotel. The Directors believe that the Acquisition can enable the Group to integrate the operations of the Property with other properties developed by the Group in the surrounding area so as to enhance the commercial operation capability and the total value of the properties in such area as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a management discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June, 2020. The information set out below is principally extracted from the audited annual reports for the three years ended 31 December 2017, 2018 and 2019 respectively and unaudited interim report of the Company for the six months ended 30 June 2020.

(a) For the six months ended 30 June 2020

Business review

In the first six months of 2020, the Group together with its joint ventures and associates achieved contracted sales of RMB41.84 billion, with about 2,185,700 square meters of GFA sold. In January and February when sales were hard hit by the pandemic, the Group responded swiftly by mobilising all resources and pushing ahead efforts across the board. As sales offices were closed, on-line purchase apps filled the gap. Construction resumed with full force in due course and resources were precisely allocated to resolve the risks associated with supply and completion. As a result, sales of 12 property development projects were delivered ahead of set date. As at 30 June 2020, the landbank of the Group (including its joint ventures and associates) and landbank with attributable interest both increased slightly to 37,418,000 square meters and 20,163,000 square meters, respectively as compared to that as at 31 December 2019.

As at 30 June 2020, the Group (including its joint ventures and associates) held more than 19 investment properties, a majority of which were office units. The Group's investment properties were mainly A-grade office premises, shopping malls and commercial complex at good locations. With the completion of certain logistics projects in the first half of 2020, the Group's total leasable area amounted to 1,793,000 square meters as at 30 June 2020.

Financial Review

For the six months ended 30 June 2020, the Group recorded revenue of RMB19,374 million in total, representing an increase of 18% as compared to the corresponding period in the previous year. Revenue from property development amounted to approximately RMB16,107 million, representing a year-on-year increase of 26%; revenue from property investment decreased by 12% year-on-year to RMB270 million, which was mainly due to the adverse impact caused by the novel coronavirus epidemic; and revenue from other operations amounted to approximately RMB2,997 million, representing a year-on-year decrease of 12%.

Cost of sales for the period increased by 14% year-on-year to RMB14,904 million. Gross profit for the period was RMB4,470 million, representing a year-on-year increase of 33%, mainly due to the increase in gross profit margin to 23%. Interest and other income for the six months ended 30 June 2020 decreased by 8% year-on-year to RMB1,380 million, mainly due to the decrease in investment income from financial assets in the period. The Group recorded other net gains of RMB124 million for the period, comprising the net effect of fair value gains of financial assets and liabilities at fair value through profit or loss, exchange losses and losses on disposal of financial assets at fair value through profit or loss.

Due to the adverse impact caused by the novel coronavirus epidemic, the Group recognised fair value losses on its investment properties (before tax and non-controlling interests) of RMB23 million for the first half of 2020. Selling and marketing expenses maintained at the same level as the corresponding period in 2019 and administrative expenses decreased to RMB750 million compared to the first half of 2019. As the Group obtained financing resources at a lower cost during the first half of 2020, the total interest expenses paid or accrued for the period decreased to RMB2,338 million, of which RMB962 million was not capitalised and charged through condensed consolidated income statement.

As a result of the above, profit attributable to owners of the Company decreased by 35% to RMB1,223 million in the first half of 2020, as compared to RMB1,875 million for the corresponding period last year.

Financial position and analysis

As at 30 June 2020, the Group's total cash resources (including cash and cash equivalents and restricted bank deposits) amounted to RMB43,739 million, the majority of which were denominated in Renminbi. The Group also had unutilised credit facilities of approximately RMB227,404 million. The Group's current ratio and net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) were 1.61 times and 65%, respectively as at 30 June 2020.

Financial guarantees and charge on assets

As at 30 June 2020, the value of the guarantees provided by the Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB12,724 million.

As at 30 June 2020, the Group had pledged some of its properties under development, completed properties held for sale, investment properties and other assets to secure short-term bank loans (including the current portion of long-term borrowings) and long-term bank loans of RMB579 million and RMB2,315 million, respectively. As at 30 June 2020, total pledged assets accounted for approximately 5% of the total assets of the Group.

Capital commitments

As at 30 June 2020, the Group had entered into certain agreements in respect of land acquisition and property development and the total capital commitment amounted to RMB10,305 million.

Contingent liabilities

The Group provided guarantees for mortgages extended to property buyers before completion of their mortgage registration. As at 30 June 2020, the total amount of the aforesaid guarantees provided by the Group was RMB12,724 million.

Foreign exchange exposure

As at 30 June 2020, approximately 48% 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 non-Renminbi currency borrowings are subject to fluctuations of exchange rates, the Group was careful in having borrowings in non-Renminbi currencies and had entered into certain forward contracts so as to hedge against the potential foreign exchange loss.

Employees

As at 30 June 2020, the Group had 13,646 employees as compared to 12,613 as at 31 December 2019. The increase in the number of employees was mainly due to the strengthening of the front-line sales department. Taking into account the amortisation of share options and the social insurance policy relief, the Group's staff cost in the first half of 2020 was approximately RMB1,219 million.

Share option schemes

The former share option scheme of the Company as adopted by the Shareholders' written resolutions dated 3 September 2007 (the "**2007 Option Scheme**") was valid and effective for a period of 10 years and had expired on 27 September 2017. The share options already granted under such scheme before its expiration remained valid even after the expiration of the 2007 Option Scheme.

On 6 August 2018, the Shareholders approved a new share option scheme (the "**2018 Option Scheme**"), which is valid and effective for a period of 10 years until 5 August 2028, unless it is terminated early in accordance with the provisions of the 2018 Option Scheme.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the six months ended 30 June 2020, the Company had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

(b) For the year ended 31 December 2019

Business review

During the year ended 31 December 2019, the Group adhered to the strategy of expanding the scale of its principal business of property development. Saleable GFA delivered by the Group increased by 30% to approximately 2,975,000 square meters in 2019. The Group together with its joint ventures and associates achieved total contracted sales of RMB130.03 billion, an increase of 19% compared to that of the previous year, which was a record high. The Group's landbank (including joint ventures and associates) decreased by 8% year-on-year to approximately 37,243,000 square meters as at 31 December 2019, and landbank with attributable interest decreased by 8% year-on-year to 20,119,000 square meters.

The Group's investment property business progressed steadily during the year ended 31 December 2019, keeping up with the growth in the principal business. On the one hand, the Group carried on exploring the'light asset' mode, on the other, continued to raise development and operating capabilities in real estate and urban complexes. With regards to light asset mode, the Group put Ocean International Center (Tianjin) in REITs project phase 2, another attempt at asset securitization of investment property. Several development projects were also launched. Among office blocks, the China Life Financial Center was newly launched and officially open in Beijing CBD. The prototype project of Ocean Rayzone located in the Lize Business District in Beijing was officially open.

Financial Review

For the year ended 31 December 2019, the Group recorded total revenue of RMB50,926 million, representing a year-on-year increase of 23% as compared to the previous year. Revenue from property development amounted to approximately RMB43,100 million, representing a year-on-year increase of 21%. Revenue from property investment decreased by 37% year-on-year to RMB678 million, which was mainly due to the implementation of asset-light strategy for the Group's investment properties. Revenue from other operations amounted to approximately RMB7,148 million, representing a year-on-year increase of 47%.

Cost of sales increased by 23% year-on-year to RMB40,704 million. Gross profit for the year was RMB10,222 million, representing an increase of 23% compared to that of the previous year. Gross profit margin remained at 20%. Interest and other income increased by 9% to RMB2,771 million for the year ended 31 December 2019.

The Group recognised an increase in fair value on its investment properties (before tax and non-controlling interests) of RMB373 million for the year ended 31 December 2019, which was significantly lower than the RMB2,361 million recorded in the year before. The recognition of significant gain on fair value of investment properties last year was mainly attributed to an office premise located in CBD of Beijing reclassified into investment property. Selling and marketing expenses and administrative expenses increased to RMB 1,270 million and RMB1,919 million, respectively. The total interest expenses paid or accrued amounted to RMB5,236 million, RMB2,394 million of which was not capitalised and charged through consolidated income statement during the year. The increase in interest expense was mainly due to the short-term rise in financial leverage in the first half of the year.

As a result of the above, profit attributable to owners of the Company in the year ended 31 December 2019 decreased by 26% to RMB2,656 million, compared to RMB3,574 million recorded for the year ended 31 December 2018.

Financial position and analysis

As at 31 December 2019, the Group's total cash resources (including cash and cash equivalents and restricted bank deposits) amounted to RMB33,566 million, 85% of which were denominated in Renminbi with the remaining balances denominated in other currencies. The Group also had unutilised credit facilities of about RMB220,746 million. The Group's current ratio and net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) was 1.8 times and 77%, respectively as at 31 December 2019.

Financial guarantees and charge on assets

As at 31 December 2019, the value of the guarantees provided by the Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB9,595 million.

As at 31 December 2019, the Group had pledged some of its plants and equipment, land use rights, properties under development, completed properties held for sale, investment properties, and other assets to secure short-term (including the current portion of long-term borrowings) and long-term bank loans of RMB669 million and RMB1,514 million, respectively. As at 31 December 2019, total pledged assets accounted for approximately 7% of the total assets of the Group.

Capital commitments

As at 31 December 2019, the Group had entered into certain agreements in respect of land acquisition and property development, and the total capital commitment amounted to RMB8,434 million.

Contingent liabilities

In line with the prevailing commercial practice in the Mainland China, the Group provided guarantees for mortgages extended to property buyers before completion of their mortgage registration. As at 31 December 2019, the total amount of the aforesaid guarantees provided by the Group was RMB9,595 million.

Foreign exchange exposure

As at 31 December 2019, 46% 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 was facing the trend of depreciation, the Group entered into certain forward contracts so as to hedge against foreign exchange loss.

Employees

As at 31 December 2019, the Group had 12,613 employees. The total number of employees serving the Group has remained basically stable. During the year ended 31 December 2019, taking into account the amortisation of share options, the level of the overall staff cost was approximately RMB3,044 million. The Group's remuneration policy was determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level adopted by competitors in the market. The Company offered share options and restricted shares to competitive staff at appropriate times so as to provide staff with competitive remuneration package and to ensure availability of human resources for the sustained development of the Company.

Share option schemes

The 2007 Option Scheme was valid and effective for a period of 10 years and had expired on 27 September 2017. The share options already granted under such scheme remained valid before its expiration even after the expiration of the 2007 Option Scheme.

On 6 August 2018, the Shareholders approved the 2018 Option Scheme, which is valid and effective for a period of 10 years until 5 August 2028, unless it is terminated early in accordance with the provisions of the 2018 Option Scheme.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 1 February 2019, Heroic Peace Limited ("**Heroic Peace**") (a wholly-owned subsidiary of the Company) and Fortune Joy Ventures Limited ("**Fortune Joy Ventures**") (a then wholly-owned subsidiary of the Company) entered into a subscription agreement with certain investors (the "**Fortune Joy Venture Investors**"), pursuant to which Fortune Joy Ventures had agreed to allot and issue, and the Fortune Joy Venture Investors had agreed to subscribe for, a total of 5,100 ordinary shares of the Fortune Joy Ventures at the aggregate subscription price of USD295,800,000. The subscription shares represent 51.00% of the total number of issued shares of Fortune Joy Ventures immediately upon completion of the allotment and issuance of the subscription shares to the Fortune Joy Ventures Investors. Heroic Peace, the Fortune Joy Ventures Investors and

Fortune Joy Ventures also entered into a shareholders' agreement on 1 February 2019, pursuant to which the parties have agreed upon, among other things, the management and affairs of Fortune Joy Ventures. Completion took place on 27 February 2019, following which Fortune Joy Ventures ceased to be a wholly-owned subsidiary of the Company and became a non wholly-owned subsidiary of the Company and its financial results continued to be consolidated into the Company's consolidated financial statements as a result of the control by the Company of the composition of the majority of the members of the board of directors of Fortune Joy Ventures at the material time.

On 20 June 2019, Heroic Peace, the Fortune Joy Ventures Investors and Fortune Joy Ventures entered into an amendment agreement to amend certain terms of the shareholders' agreement, pursuant to which the parties had agreed to the change in the board composition of Fortune Joy Ventures, following which Fortune Joy Ventures had ceased to be a non wholly-owned subsidiary of the Company and the financial results of which would no longer be accounted for and consolidated in the consolidated accounts of the Group.

(c) For the year ended 31 December 2018

Business review

In the year ended 31 December 2018, despite an ever more competitive environment and downward market outlook, the Group together with its joint ventures and associates achieved contracted sales of record-high of RMB109.51 billion, a year-on-year increase of 55%. The Group's landbank (including its joint ventures and associates) increased by 19% year-on-year to approximately 40,444,000 square meters as at 31 December 2018, and landbank with attributable interest increased by 18% year-on-year to 21,761,000 square meters.

The Group on the one hand ensured the steady growth of income from investment properties, on the other continued to optimise asset structure and enhance liquidity through asset securitisation and building the core property fund. Based on the commercial properties in Beijing and Tianjin, a REITs product 'GSUM First Seafront Sino-Ocean No.1 Asset-backed Specific Plan' was issued. An investment property fund was set up to acquire the holding company of properties in the Beijing core districts.

Financial Review

For the year ended 31 December 2018, the Group's revenue decreased by 10% to RMB41,422 million compared to the same period last year. Revenue from property development amounted to approximately RMB35,493 million, representing a year-on-year decrease of 15%. The decrease was mainly due to delay of construction schedule caused by environmental shutdown in the first quarter of 2018. Besides, some projects were disposed in the way of share transfer and the relevant income was not recognised as revenue; revenue from property investment increased by 10% year-on-year to RMB1,077 million; and revenue from other operations amounted to approximately RMB4,852 million, representing a year-on-year increase of 48%.

Cost of sales decreased mildly by 4% year-on-year to RMB33,136 million. Gross profit for the year was RMB8,287 million, representing a decrease of 26% compared to that in the previous year, the decrease was attributed to the decrease in revenue and the decrease in gross profit margin. Gross profit margin decreased to 20% and was caused by the increase in impairment provision on inventory and amortisation of revaluation surplus relating to gains from business combination.

Interest and other income increased by 128% year-on-year reaching RMB2,543 million for the year, mainly due to the increase in entrusted loan provided and the corresponding increase in overall interest income. The Group recognised an increase in fair value on its investment properties (before tax and non-controlling interests) of RMB2,361 million for the year ended 31 December 2018, mainly attributed to an office premise located in CBD of Beijing reclassified into investment property. In the year ended 31 December 2018, selling and marketing expenses and administrative expenses increased to RMB1,206 million and RMB1,730 million, respectively. The total interest expenses paid or accrued amounted to RMB4,210 million, RMB1,775 million of which was not capitalised and charged through consolidated income statement during the year.

Profit attributable to owners of the Company decreased by 30% to RMB3,574 million in the year ended 31 December 2018, compared to RMB5,115 million in the previous year.

Financial position and analysis

As at 31 December 2018, the Group's total cash resources (including cash and cash equivalents and restricted bank deposits) amounted to RMB42,571 million, 84% of which were denominated in Renminbi with the remaining balances denominated in other currencies. The Group also had unutilised credit facilities of about RMB189,400 million. The Group's current ratio and net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) was 1.6 times and 73%, respectively as at 31 December 2018.

Financial guarantees and charge on assets

As at 31 December 2018, the value of the guarantees provided by the Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB8,159 million.

As at 31 December 2018, the Group had pledged some of its properties, plants and equipment, land use rights, properties under development, completed properties held for sale, investment properties, and other assets to secure short-term bank loans (including the current portion of long-term borrowings) and long-term bank loans of RMB2,833 million and RMB5,590 million, respectively. As at 31 December 2018, total pledged assets accounted for approximately 8% of the total assets of the Group.

Capital commitments

The Group entered into certain agreements in respect of land acquisition and property development. As at 31 December 2018, the Group had a total capital commitment of RMB6,624 million.

Contingent liabilities

As stated above, as at 31 December 2018, the Group provided in total RMB8,159 million of guarantees to banks for mortgages extended to property buyers before completion of their mortgage registration.

Foreign exchange exposure

As at 31 December 2018, 38% 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 was facing the trend of depreciation, the Group had been adjusting its proportion of borrowings in foreign currencies and had entered into certain forward contracts so as to hedge against exchange loss.

Employees

As at 31 December 2018, the Group had 13,131 employees as compared to 10,081 employees in the year before, the increment of manpower is resulted by the expansion of business and entering new cities. During the year ended 31 December 2018, taking into account the amortisation of share options, the Group incurred an overall staff cost of RMB2,565 million in total. The Group's remuneration policy was determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level adopted by competitors in the market. The Company offered share options and introduced restricted share award scheme to competitive staff so as to provide staff competitive remuneration package and to ensure availability of human resources for the sustained development of the Company.

Share option schemes

The 2007 Option Scheme, which was approved by the Shareholders' written resolutions, was valid and effective for a period of 10 years and had expired on 27 September 2017. The share options already granted under such scheme before its expiration remained valid even after the expiration of the 2007 Option Scheme.

On 6 August 2018, the Shareholders approved the 2018 Option Scheme, which is valid and effective for a period of 10 years until 5 August 2028, unless it is terminated early in accordance with the provisions of the 2018 Option Scheme.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

*(a) Disposal of property holding companies to an asset-backed special scheme ("**ABS**")*

On 13 December 2018, Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司) (the "**Transferor**", a wholly-owned subsidiary of the Company), Qianhai Kaiyuan Asset Management Company Limited (前海開源資產管理有限公司) (the "**ABS Manager**") (acting on behalf of the ABS) and GSUM Real Estate Fund Management Co., Ltd. (中聯前源不動產基金管理有限公司) (the "**Fund Manager**") entered into a fund interest transfer agreement, pursuant to which the Transferor had agreed to dispose of, and the ABS Manager (acting on behalf of the ABS) had agreed to acquire, the entire interest held by the Transferor in GSUM-Sino-Ocean Group No.1 Private Investment Fund (中聯前源—遠洋集團一號私募投資基金) (the "**Fund**") (the "**Target Fund Interest**"), upon completion of which the entire interest in the Fund should be held by the ABS.

The consideration for the Target Fund Interest was equivalent to the fully paid amount of the Target Fund Interest as at the transfer date, being RMB1,000,000. The ABS Manager should also pay up the remaining contribution in respect of the Target Fund Interest in the amount of RMB3,201,000,000 by utilising the proceeds raised under the ABS, and the Fund Manager should use the paid-up amount in the Fund to repay the outstanding amount of RMB3,200,000,000 payable by the Fund to the Group, which represented the total amount payable by the Fund (including the consideration for the transfer of the equity interests in (i) Beijing Rui Hong Commercial Management Co., Ltd. (北京睿鴻商業管理有限公司), (ii) Beijing Rui Hui Commercial Management Co., Ltd. (北京睿輝商業管理有限公司) and (iii) Tianjin Yuan Chi Property Development Co., Ltd. (天津市遠馳房地產開發有限公司) (collectively, the "**Project Companies**") and repayment of amount payable by the Project Companies to the Group) pursuant to an internal reorganisation in which the Transferor had transferred to the Fund the equity interests in the Project Companies.

Following completion of the transfer of the Target Fund Interest, the ABS, through the Fund, held the Project Companies, which in turn held (i) Ocean We-Life Plaza (Beijing) (遠洋未來廣場(北京)), (ii) Ocean Landscape We-Life (Beijing) (遠洋山水未來滙(北京)) and (iii) Ocean We-Life Plaza (Tianjin) (遠洋未來廣場(天津)) (collectively, the "**Properties**"). Pursuant to the ABS, the ABS Manager, as the manager of the ABS, had issued asset-backed securities in the amount of RMB3,203,000,000 to its holders, who in return enjoyed the economic benefits generated from the Properties.

(b) Investment in property fund and disposal of property holding company to property fund

On 21 December 2018, (i) New Shine Global Limited (the "**SOG-designated LP**", a wholly-owned subsidiary of the Company); (ii) Ever Sail International Limited (the "**JV Partner-designated LP**", a wholly-owned subsidiary of ICBC International Investment Management Limited (the "**Fund JV Partner**")); and (iii) SOL Property Fund GP II Limited (the "**GP**", a joint venture of the Company which was owned as to 50% by Southern Victory Holdings Limited ("**Southern Victory**", a wholly-owned subsidiary of the Company) and 50% by Century Gate Investments Limited ("**Century Gate**", a wholly-owned subsidiary of the Fund JV Partner) entered into an amended and restated exempted limited partnership agreement (the "**Limited Partnership Agreement**"), pursuant to which the parties had agreed upon, among other things, the management of and the investment in SOL Property Fund III LP (the "**Property Fund**"), with a capital commitment of USD equivalent of RMB900,000,000 by each of the SOG-designated LP and the JV Partner-designated LP. The Property Fund was established for the purpose of the acquisition of Beijing Longzeyuan Real Estate Co., Ltd. (北京龍澤源置業有限公司) (the "**Project Company**"). Southern Victory, Century Gate and the GP also entered into a shareholders' agreement on the same day, pursuant to which the parties had agreed upon, among other things, the operation and management of the GP, the subsidiaries of the Property Fund, Cityshine Holdings Limited (the "**Acquired Company**") and its subsidiaries (including the Project Company).

Immediately after the signing of the Limited Partnership Agreement, on 21 December 2018, Fast Fame Capital Investment Limited (the "**Fast Fame**", a wholly-owned subsidiary of the Company) and Harbour Link Ventures Limited (the "**Harbour Link**", a wholly-owned subsidiary of the Property Fund) entered into a disposal agreement, pursuant to which the Fast Fame had agreed to dispose of, and the Harbour Link had agreed to acquire, the entire issued share capital of the Acquired Company. The principal asset of the Acquired Company is its indirect 94.03% (approximate) equity interest in the Project Company, which in turn held Ocean Office Park (Beijing) (遠洋光華國際(北京)), an A-grade office building located in the core area of CBD, Chaoyang District, Beijing, the PRC. The consideration for the sale and purchase of the entire issued share capital of the Acquired Company was the USD equivalent of RMB5,383,815,855.

(d) For the year ended 31 December 2017

Business review

During the year ended 31 December 2017, the Group together with its joint ventures and associates achieved contracted sales of a record high of RMB70.56 billion, a year-on-year increase of 40%. Over 80% of the overall sales was contributed from core city clusters of Beijing-Tianjin-Hebei, the Yangtze River Delta, the Pearl River Delta and Yangtze Mid-stream. The Group (including its joint ventures and associates) raised the investment volume and replenished over 15,000,000 square meters of land bank with a total value exceeding RMB260 billion, by entering 14 new cities primarily located in the core city clusters of Beijing-Tianjin-Hebei, the Yangtze River Delta, the Pearl River Delta, the Yangtze Mid-stream and Chengdu-Chongqing. The Group's landbank (including its joint ventures and associates) increased by 57% year-on-year to approximately 34,088,000 square meters as at 31 December 2017, and landbank with attributable interest increased by 35% year-on-year to 18,490,000 square meters.

As the scale, operating capabilities and profit margins of the investment properties enjoyed an upward trend across the board, the property investment segment was yielding a stable income. Properties in operation reached 110 million square meters, up by 31% year-on-year, with a majority located in core cities such as Beijing, Shanghai, Tianjin, Hangzhou and Chengdu. As regards office space, the Group further strengthened co-operation with co-work space market leader WeWork, opening three joint-projects in Beijing and Shanghai in 2017. In addition, a self-owned commercial complex Grand Canal Place in Hangzhou was officially opened while sales volume and customer traffic in Sino-Ocean Taikoo Li (Chengdu), Ocean We-life Plaza (Beijing) and Ocean We-life Plaza (Tianjin) recorded notable growth.

Financial Review

For the year ended 31 December 2017, the Group's revenue increased by 33% year-on-year to RMB45,837 million. Revenue from property development amounted to approximately RMB41,578 million, representing a year-on-year increase of 35%; revenue from property investment increased by 10% year-on-year to RMB977 million; and revenue from other operations amounted to approximately RMB3,282 million, representing a year-on-year increase of 15%.

Cost of sales increased by 29% year-on-year to RMB34,599 million. Gross profit for the year was RMB11,239 million, representing an increase of 47% compared to that in the previous year, which was attributed to the increase in revenue and the increase in gross profit margin. The gross profit margin was increased to 25%.

Interest and other income decreased by 26% to RMB1,116 million compared to RMB1,508 million in the previous year. The Group recorded other net gains of RMB975 million, which were mainly composed of exchange gains and deemed disposal gains recognised during the year.

The Group recognised an increase in fair value on its investment properties (before tax and non-controlling interests) of RMB440 million for the year ended 31 December 2017. In the year ended 31 December 2017, selling and marketing expenses and administrative expenses increased to RMB800 million and RMB1,240 million, respectively. The total interest expenses paid or accrued amounted to RMB3,187 million, RMB1,174 million of which was not capitalised and charged through consolidated income statement during the year.

Profit attributable to owners of the Company increased significantly by 34% to RMB5,115 million in the year ended 31 December 2017, compared to RMB3,812 million in the previous year.

Financial position and analysis

As at 31 December 2017, the Group's total cash resources (including cash and cash equivalents and restricted bank deposits) amounted to RMB24,766 million, 85% of which were denominated in Renminbi with the remaining balances denominated in other currencies. The Group also had unutilised credit facilities of about RMB147,141 million. The Group's current ratio and net gearing ratio (i.e. total borrowings less total cash resources divided by total equity) was 1.8 times and 62%, respectively as at 31 December 2017.

Financial guarantees and charge on assets

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

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

Capital commitments

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

Contingent liabilities

As stated above, as at 31 December 2017, the Group provided in total RMB10,552 million of guarantee to banks for mortgages extended to property buyers before completion of their mortgage registration.

Foreign exchange exposure

As at 31 December 2017, 39% of the Group's total borrowings were denominated in USD and HKD. As a result, the Group had a net currency exposure to fluctuation in foreign exchange rates. As the exchange rate between Renminbi and other currencies were fluctuating, the Group had been adjusting its proportion of borrowings in foreign currencies and had entered into certain forward contracts so as to hedge against exchange risk.

Employees

As at 31 December 2017, the Group had 10,081 employees as compared to 8,340 employees in the year before, the increment of manpower was resulted by the development of different corporate departments within the Group. During the year ended 31 December 2017, taking into account the amortisation of share options, the Group incurred an overall staff cost of RMB2,081 million. The Group's remuneration policy had been determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level adopted by competitors in the market. The Company offered share options and introduced restricted share award scheme to competitive staff so as to provide staff with competitive remuneration package and to ensure availability of human resources for the sustained development of the Company.

Share option schemes

The 2007 Option Scheme, which was approved by the shareholders' written resolutions, was valid and effective for a period of 10 years until 27 September 2017. The share options already granted under such scheme before its expiration remained valid even after the expiration of the 2007 Option Scheme.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the year ended 31 December 2017, the Company had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SINO-OCEAN GROUP HOLDING LIMITED

Introduction

We report on the historical financial information of Beijing Xingtaitonggang Properties Company Limited (the "**Target Company**") set out on pages II-4 to II-18, which comprises the statements of financial position of the Target Company as at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-18 forms an integral part of this report, which has been prepared for inclusion in the circular of Sino-Ocean Group Holding Limited (the "**Company**") dated 24 February 2021 (the "**Circular**") in connection with the proposed acquisition of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Company for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the director of the Target Company. The director of the Target Company is responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the director determines is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 31 December 2017, 2018 and 2019 and 30 September 2020 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The director of the Target Company is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 February 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information of the Target Company ("**Historical Financial Information**"), which forms an integral part of this accountant's report.

The Underlying Financial Statements of the Target Company, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Statements of Comprehensive Income

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	—	—	—	—	—
Cost of sales	—	—	—	—	—
Gross profit	—	—	—	—	—
Administrative expenses	(756)	(1,222)	(43)	(29)	(37)
Operating loss	(756)	(1,222)	(43)	(29)	(37)
Loss before income tax	(756)	(1,222)	(43)	(29)	(37)
Income tax expense	—	—	—	—	—
Loss for the year/period	(756)	(1,222)	(43)	(29)	(37)
Other comprehensive income	—	—	—	—	—
Loss and total comprehensive income for the year/period	(756)	(1,222)	(43)	(29)	(37)

Statements of Financial Position

		As at 31 December			As at 30 September
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property, plant and equipment		11	6	126	91
Prepayments		8,621	26,918	35,135	38,324
Total non-current assets		8,632	26,924	35,261	38,415
Current assets					
Prepayments		227	3,504	3,265	732
Land development cost	*5*	6,357,754	7,507,751	8,415,307	11,256,150
Cash and cash equivalents	*6*	747,374	293,470	217,693	13,344
Total current assets		7,105,355	7,804,725	8,636,265	11,270,226
Total assets		7,113,987	7,831,649	8,671,526	11,308,641
Equity					
Paid in capital		10,000	10,000	10,000	10,000
Accumulated losses		(50,984)	(52,206)	(52,249)	(52,286)
Deficit on total equity		(40,984)	(42,206)	(42,249)	(42,286)
Liabilities					
Non-current liabilities					
Borrowings	*8*	6,507,033	—	2,142,357	9,000,000
Total non-current liabilities		6,507,033	—	2,142,357	9,000,000
Current liabilities					
Borrowings	*8*	330,000	7,517,033	6,219,033	2,026,855
Trade and other payables	*7*	317,938	356,822	352,385	324,072
Total current liabilities		647,938	7,873,855	6,571,418	2,350,927
Total liabilities		7,154,971	7,873,855	8,713,775	11,350,927
Deficit on total equity and liabilities		7,113,987	7,831,649	8,671,526	11,308,641

Statements of Changes in Equity

	Attributable to owners of the Target Company		
	Paid in capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2017	10,000	(50,228)	(40,228)
Loss for the year	—	(756)	(756)
Total comprehensive loss	—	(756)	(756)
Balance at 31 December 2017	10,000	(50,984)	(40,984)
Balance at 1 January 2018	10,000	(50,984)	(40,984)
Loss for the year	—	(1,222)	(1,222)
Total comprehensive loss	—	(1,222)	(1,222)
Balance at 31 December 2018	10,000	(52,206)	(42,206)
Balance at 1 January 2019	10,000	(52,206)	(42,206)
Loss for the year	—	(43)	(43)
Total comprehensive loss	—	(43)	(43)
Balance at 31 December 2019	10,000	(52,249)	(42,249)
Balance at 1 January 2019	10,000	(52,206)	(42,206)
Loss for the period	—	(29)	(29)
Total comprehensive loss	—	(29)	(29)
Balance at 30 September 2019 (Unaudited)	10,000	(52,235)	(42,235)
Balance at 1 January 2020	10,000	(52,249)	(42,249)
Loss for the period	—	(37)	(37)
Total comprehensive loss	—	(37)	(37)
Balance at 30 September 2020	10,000	(52,286)	(42,286)

Statements of Cash Flows

		Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash used in operations	*10(a)*	(616,782)	(554,699)	(203,841)	(174,177)	(2,118,728)
Interest paid		(322,605)	(579,205)	(716,145)	(668,719)	(751,086)
Net cash used in operating activities		(939,387)	(1,133,904)	(919,986)	(842,896)	(2,869,814)
Cash flows from investing activities						
Purchases of property, plant and equipment		—	—	(148)	(148)	—
Net cash used in investing activities		—	—	(148)	(148)	—
Cash flows from financing activities						
Proceeds from borrowings		2,713,641	680,000	2,215,507	2,140,197	22,504,042
Repayments of borrowings		(1,318,000)	—	(1,371,150)	(1,371,150)	(19,838,577)
Net cash from financing activities		1,395,641	680,000	844,357	769,047	2,665,465
Net increase/(decrease) in cash and cash equivalents		456,254	(453,904)	(75,777)	(73,997)	(204,349)
Cash and cash equivalents at beginning of the year/period		291,120	747,374	293,470	293,470	217,693
Cash and cash equivalents at end of the year/period		747,374	293,470	217,693	219,473	13,344

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Beijing Xingtaitonggang Properties Company Limited (the "**Target Company**") is a company incorporated in Beijing with limited liability on 8 July 2015. The registered office of the Target Company is No.9, North Bank of Bahe River, Jiangtai Township, Chaoyang District, Beijing. The Target Company is principally engaged in primary land development located in Chaoyang District, Beijing.

Beijing Xingtai Hongxin Asset Management Co., Ltd (the "**Existing Shareholder**"), a company with limited liability as incorporated in Beijing, is the immediate holding company of the Target Company. The ultimate controlling shareholder of the Existing Shareholder is the Jiangtai Township Government.

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Target Company.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") are set out below. The Historical Financial Information has been prepared under the historical cost convention.

It should be noted that accounting estimates and assumptions have been used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are set out in note 4 "Critical accounting estimates and judgements".

All effective standards, amendments to standards and interpretations, which are mandatorily effective for the financial year beginning on 1 January 2020, has been applied consistently by the Target Company throughout the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (collectively the "**Track Record Period**").

Standards and amendments that have been issued but not yet effective for financial year beginning on 1 January 2020 and not been early adopted by the Target Company are as follows:

	Effective for annual periods beginning on or after
HKFRS 17 — Insurance contract	1 January 2023
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 3 — Update reference to the Conceptual framework	1 January 2022
Amendments to HKAS 16 — Proceeds before intended use	1 January 2022
Amendments to HKAS 37 — Onerous contracts — costs of fulfilling a contract	1 January 2022
Amendments to HKFRS 10 and HKAS 28 — Sale or contribution of assets between an investor and its associate or joint ventures	Undetermined

The director of the Target Company is of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any material impact on the significant accounting policies of the Target Company.

2.2 Land development cost

Land development cost is stated at the lower of cost and net realisable value. Development cost of land comprises cost of land use rights, cost of house dismantlement, cost of land leveling works and borrowing costs incurred during the construction period.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Land development cost is classified as current assets unless the construction period of the relevant land development project is expected to complete beyond normal operating cycle.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.4 Prepayments

Prepayments of the Target Company mainly represent input tax to be deducted from the output tax in the future period.

The input tax to be deducted is classified as current assets and non-current assets according to the estimated deductible time.

2.5 Trade payables

Trade payables represent liabilities for goods and services provided to the Target Company prior to the end of financial year which are unpaid. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.6 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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, if any, are recognized in profit or loss in the period in which they are incurred.

2.7 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.

2.7.1 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 country/territory where the Target Company operates and generates 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.

2.7.2 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 Historical Financial Information. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction 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.

3 Financial risk management

3.1 Financial risk factors

The Target Company's principal financial instruments comprise cash and cash equivalents and interest-bearing other borrowings. These financial instruments are mainly for financing the Target Company's operations. The Target Company has other liabilities such as trade and other payables, which arise directly from its daily operations.

The main risks arising from the Target Company's financial instruments are interest risk, credit risk and liquidity risk. The Target Company does not hold or issue derivative financial instruments for speculative purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

3.1.1 Interest rate risk

Borrowings with variable interest rates exposed the Target Company to cash flow interest rate risk. As of the respective balance sheet dates, the Target Company did not have any borrowings which bear variable interest rates.

Borrowings with fixed interest rates exposed the Target Company to fair value interest rate risk. The Target Company 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.

3.1.2 Credit risk

The Target Company's cash and cash equivalents are mainly with reputable banks and state-owned banks in Mainland China. The carrying amounts of cash and cash equivalents included in the statement of financial position represent the Target Company's maximum exposure to credit risk in relation to its financial assets. The Target Company has no other financial assets which carry significant exposure to credit risk.

3.1.3 Liquidity risk

The Target Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the borrowings and rates, and projected cash flows from operations.

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of other borrowings.

The maturity profile of the Target Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017				
Borrowings	715,321	6,775,764	—	7,491,085
Trade and other payables excluding statutory liabilities	317,938	—	—	317,938
	1,033,259	6,775,764	—	7,809,023
At 31 December 2018				
Borrowings	7,975,533	—	—	7,975,533
Trade and other payables excluding statutory liabilities	356,822	—	—	356,822
	8,332,355	—	—	8,332,355
At 31 December 2019				
Borrowings	6,813,609	2,216,840	—	9,030,449
Trade and other payables excluding statutory liabilities	352,385	—	—	352,385
	7,165,994	2,216,840	—	9,382,834
At 30 September 2020				
Borrowings	2,952,802	9,810,000	—	12,762,802
Trade and other payables excluding statutory liabilities	324,072	—	—	324,072
	3,276,874	9,810,000	—	13,086,874

4 Critical accounting estimates and judgements

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

4.1 Deferred income tax assets

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of 30 September 2020, the Target Company has not recognised deferred income tax assets of RMB13,069,000 in respect tax losses amounting to RMB52,276,000 that can be carried forward against future taxable income and all these unrecognised tax losses will be expired prior to 31 December 2025. Management consider that it is still uncertain on whether sufficient taxable profit will be generated by the Target Company to utilise these unrecognised tax losses prior to their expiry dates. Accordingly, no deferred income tax assets have been recognised on these tax losses.

5 Land development cost

Land development cost refers to capitalized costs on primary land development projects on two parcels of land (the "**Land**") located at Tuofangying Village, Jiangtai Township, Chaoyang Prefecture, Beijing respectively. Main activities for primary land development projects including demolition and "three connections and one leveling" preparatory construction work such as connecting the site's access to water, electricity and roads and levelling of the site.

Pursuant to the land grant contracts dated 9 July 2020 between the Target Company and Beijing Municipal Commission, the land use right certificate in respect of the Land granted to the Target Company on 2 September 2020.

	Year ended 31 December			**Nine months ended 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Movements in land development costs are as below:					
Opening net book amount	5,109,519	6,357,754	7,507,751	7,507,751	8,415,307
Additions	795,941	532,248	196,027	167,531	2,225,867
Interest capitalized	452,294	617,749	711,529	486,575	614,976
Closing net book amount	6,357,754	7,507,751	8,415,307	8,161,857	11,256,150

	Year ended 31 December			**Nine months ended 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Land development cost comprises:					
Land use rights	5,520,047	6,052,295	6,248,322	6,219,826	8,474,189
Interest capitalized	837,707	1,455,456	2,166,985	1,942,031	2,781,961
	6,357,754	7,507,751	8,415,307	8,161,857	11,256,150

As set out in Note 7(b), a portion of the land will become retained and owned by the Existing Shareholder pursuant to the Agreement. Therefore, the Target Company will derecognise a portion of the land use rights (with the carrying amount of RMB93,409,000 as of 30 September 2020) in December 2020.

As of 30 September 2020, the consideration as received from the Existing Shareholder for the intention in finalising the arrangement as detailed in Note 7(b) amounted to RMB93,409,000 and management consider that the derecognition of the related land use right will not result in any significant gain or loss to to the Target Company.

6 Cash and cash equivalents

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	7	5	5	1
Bank deposits (a)	747,367	293,465	217,688	13,343
	747,374	293,470	217,693	13,344
Less：Restricted bank deposits	—	—	—	—
Cash and cash equivalents	747,374	293,470	217,693	13,344

(a) Deposits at banks were all denominated in RMB.

7 Trade and other payables

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables (a)	188,250	188,250	188,700	202,994
Interest payable	129,688	168,232	163,616	27,506
Deposits received (b)	—	240	40	93,529
Other payables	—	100	29	43
Total	317,938	356,822	352,385	324,072

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the carrying amounts of trade and other payables approximated their fair values.

(a) As at 31 December 2017, 2018 and 2019 and 30 September 2020, the aging analysis of the trade payables based on invoice date were as follows:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	188,250	188,188	188,688	202,975
Between 6 months to 12 months	—	—	12	—
Between 1 year to 2 years	—	62	—	19
	188,250	188,250	188,700	202,994

(b) Pursuant to the shareholder agreement and capital injection agreement dated on 18 December 2020 (the "**Agreement**"), the land that associated with the 20,000 square meters floor area to be construction on the Land (the "**Retained Property**"), will be retained and owned by the Existing Shareholder on behalf of the Jiangtai Township Government. The Subsidiaries and the JV Partner (as defined in Note 14) will not be responsible for any of the expenses or costs incurred for the development of the Retained Property. Prior to the formalisation of the aforesaid arrangement in connection with the Retained Property, the Existing Shareholder prepaid a security deposit of RMB93,409,000 to the Target Company which will be used as a settlement for the portion of the land use rights in connection with the Retained Property.

8 Borrowings

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings (a)	6,837,033	7,517,033	8,361,390	11,026,855
Less: non-current portion	(6,507,033)	—	(2,142,357)	(9,000,000)
Current portion	330,000	7,517,033	6,219,033	2,026,855

(a) As at 31 December 2017, the outstanding loans due to third party with maturity period of 21 months and interests at fixed rate ranging from 5% to 7% per annum amounted to RMB6,507,033,000 and were secured by the Existing Shareholder's entire equity interests in the Target Company. Remaining outstanding unsecured loan due to third party with maturity period of 4 months and interests at fixed rate ranging from 9% to 11% per annum amounted to RMB330,000,000 and the loan was fully repaid in April 2018.

As at 31 December 2018, the outstanding loan due to third party with maturity period of 9 months and interests at the fixed rate of 9% per annum amounted to RMB6,507,033,000 and was secured by the Existing Shareholder's entire equity interests in the Target Company. Remaining outstanding unsecured loan due to third party with maturity period of 4 months and interests at fixed rates ranging from 9% to 13% per annum amounted to RMB1,010,000,000 and the loan was fully repaid in April 2019.

As at 31 December 2019, the outstanding loan due to third party with maturity period of 9 months and interests at the fixed rate of 9% per annum amounted to RMB6,207,033,000 and was secured by the Existing Shareholder's entire equity interests in the Target Company. This loan was fully repaid in August 2020. Unsecured interest free loan due to the Existing Shareholder with maturity period of 9 months amounts to RMB12,000,000 as of 31 December 2019. Remaining outstanding unsecured loan due to third party with maturity period of 17 months and interests at the fixed rate of 9% per annum amounted to RMB2,142,357,000 and the loan was fully repaid in May 2020.

As at 30 September 2020, the outstanding loan due to third party with maturity period of 8 months and interests at the fixed rate of 9% per annum amounted to RMB2,026,855,000 and was secured by the Existing Shareholder's entire equity interests in the Target Company. This was repaid in December 2020. Other outstanding unsecured loan due to third party with maturity period of 24 months and interests at the fixed rate of 9% per annum amounted to RMB9,000,000,000 and the loan was fully repaid in October 2020.

(b) As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Target Company's borrowings were repayable as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	330,000	7,517,033	6,219,033	2,026,855
Between 1 and 2 years	6,507,033	—	2,142,357	9,000,000
	6,837,033	7,517,033	8,361,390	11,026,855

(c) The fair value of non-current borrowings approximate their carrying amount as most of these borrowings carried interests at rates as determined by third parties (which management considered are comparable to market rates) and the impact of discounting is not significant.

9 Finance costs

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest expense:				
— Other borrowings	452,294	617,749	711,529	614,976
Less: interest capitalized	(452,294)	(617,749)	(711,529)	(614,976)
	—	—	—	—
Capitalization rate (per annum)	6.49%	8.78%	9.13%	9.13%

10 Notes to the statement of cash flows

(a) Cash generated from operations

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss for the year/period	(756)	(1,222)	(43)	(29)	(37)
Adjustments for:					
Depreciation	6	5	28	16	35
	(750)	(1,217)	(15)	(13)	(2)
Changes in working capital:					
Prepayments	(8,275)	(21,574)	(7,978)	(6,610)	(656)
Land development cost	(795,941)	(532,248)	(196,027)	(167,531)	(2,225,867)
Trade and other payables	188,184	340	179	(23)	107,797
Cash used in operations	(616,782)	(554,699)	(203,841)	(174,177)	(2,118,728)

(b) Reconciliation of liabilities from financing activities

This section sets out an analysis of liabilities from financing activities and their movements for each of the years/periods presented.

	As at 31 December			As at 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Borrowings-repayable within one year *(Note 8)*	(330,000)	(7,517,033)	(6,219,033)	(6,219,033)	(2,026,855)
Borrowings-repayable after one year *(Note 8)*	(6,507,033)	—	(2,142,357)	(2,067,047)	(9,000,000)
Total borrowings	(6,837,033)	(7,517,033)	(8,361,390)	(8,286,080)	(11,026,855)
Total borrowings-fixed interest rates	(6,837,033)	(7,517,033)	(8,361,390)	(8,286,080)	(11,026,855)

	Liabilities from financing activities		
	Borrowing due within 1 year	**Borrowing due after 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016	—	(5,441,392)	(5,441,392)
Cash flows	(330,000)	(1,065,641)	(1,395,641)
As at 31 December 2017	(330,000)	(6,507,033)	(6,837,033)
As at 31 December 2017	(330,000)	(6,507,033)	(6,837,033)
Cash flows	(680,000)	—	(680,000)
Other non-cash movements	(6,507,033)	6,507,033	—
As at 31 December 2018	(7,517,033)	—	(7,517,033)
As at 31 December 2018	(7,517,033)	—	(7,517,033)
Cash flows	1,298,000	(2,142,357)	(844,357)
As at 31 December 2019	(6,219,033)	(2,142,357)	(8,361,390)
As at 31 December 2018	(7,517,033)	—	(7,517,033)
Cash flows	1,298,000	(2,067,047)	(769,047)
As at 30 September 2019 (Unaudited)	(6,219,033)	(2,067,047)	(8,286,080)
As at 31 December 2019	(6,219,033)	(2,142,357)	(8,361,390)
Cash flows	6,334,535	(9,000,000)	(2,665,465)
Other non-cash movements	(2,142,357)	2,142,357	—
As at 30 September 2020	(2,026,855)	(9,000,000)	(11,026,855)

11 Capital commitments

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Property under development (a)	97,792	87,214	484,042	420,363

(a) Capital commitments represent development costs attributable to land development cost at the balance sheet date that have been contracted but not yet incurred.

12 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
The Jiangtai Township Government	Ultimate holding company
Existing Shareholder	Immediate holding company

(b) Amounts due to related parties

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
The Existing Shareholder:					
At 1 January	—	—	—	—	—
Addition during year/period *(Note 7b)*	—	—	—	—	93,409
As 31 December	—	—	—	—	93,409

The addition represents deposit received from Existing shareholder. For details, refer to Note 7(b).

13 Benefits and interests of directors

Director's emoluments

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Mr. Liu Qing *(note)*	—	–	—	—	—

Note:

The emoluments of the director, Mr. Liu Qing was borned by the Jiangtai Township Government.

14 Subsequent events

Other than those as disclosed elsewhere in the Historical Financial Information, the Target Company also has the following subsequent events:

(a) In October 2020, the Target Company borrowed an 8-months period maturity term loan with interest at 9% per annum of RMB9 billion from a third party and this loan was fully repaid prior to December 2020.

On 20 November 2020, the Target Company borrowed an 1-year period maturity term loan with interest at 7% per annum of RMB2 billion, from a third party.

In November and December 2020, the Target Company pledged the Land and borrowed several 1-year period maturity term loans with interests at 7% per annum with aggregated principal amounts of RMB4 billion from a commercial bank in China.

(b) On 18 December 2020, Beijing Yingyu Enterprise Management Consulting Co., Ltd. (the "**Yingyu**" or the "**First Subsidiary**") and Tianjin Yigangtong Enterprise Management Co., Ltd. (the "**Yigangtong**" or the "**Second Subsidiary**"), which are wholly-owned subsidiaries of Sino-Ocean Group Holding Limited (collectively the "**Subsidiaries**"), and Shiny Harbour Limited (the "**Shiny Harbour**" or the "**JV Partner**"), were notified of their successful bidding for an investment in 99.79% equity interest in the Target Company jointly through the Public Listing-for-sale held by the Beijing Rural Area Equity Exchange.

Pursuant to the Agreement as mentioned in Note 7(b), the Target Company increased its paid in capital from RMB10,000,000 to RMB9,500,000,000. The First Subsidiary, the Second Subsidiary and the JV Partner contribute capital of RMB3,325,000,000, RMB2,840,000,000, and RMB3,325,000,000 to the Target Company, respectively. After the contribution, the Target Company is owned as to 64.79%, 35.00% and 0.21% by the Subsidiaries, the JV Partner and the Existing Shareholder, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company for the financial years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**"). The following financial information is based on the Accountant's Report on the Target Company as set out in Appendix II to this circular.

General information

The Target Company is a company established in the PRC with limited liability on 8 July 2015. The principal asset of the Target Company is the Land, upon which land levelling works are being carried out and is currently vacant. Under the land grant contracts, the proposed use of the Land is for greenbelt development (綠隔產業用地), including commercial, office, underground parking and underground storage uses.

Financial review

Analysis on Financial Performance

Set out below is the abstract of the Target Company's statement of financial performance for the Relevant Periods as extracted from the Accountant's Report of the Target Company as set out in Appendix II to this circular.

	Years ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	—	—	—	—	—
Net loss after tax	(756)	(1,222)	(43)	(29)	(37)

Revenue

The Land is still at the stage of land levelling and no revenue was recognised during the Relevant Periods.

Loss for the year

For the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2020, the Target Company recorded a net loss of RMB0.8 million, RMB1.2 million, RMB0.04 million and RMB0.04 million, respectively, which mainly represent the miscellaneous expenses incurred during the Relevant Periods.

Analysis on Financial Position

Set out below is an abstract of the Target Company's statement of financial position at the end of each of the Relevant Periods as extracted from the accountants report as set out in Appendix II to this circular:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB million	*RMB million*	*RMB million*	*RMB million*
	(audited)	(audited)	(audited)	(audited)
Non-current assets	9	27	35	39
Current assets	7,105	7,805	8,636	11,270
Total assets	7,114	7,832	8,671	11,309
Non-current liabilities	6,507	—*	2,142	9,000
Current liabilities	648	7,874	6,571	2,351
Total liabilities	7,155	7,874	8,713	11,351
Net liabilities	41	42	42	42

* *represent amounts less than RMB1 million.*

As at 31 December 2017

The Target Company's total assets as at 31 December 2017 amounted to RMB7,114 million, comprised almost entirely of its current assets, namely, cash and cash equivalent of RMB747 million, and capitalised land acquisition costs of RMB6,358 million.

The Target Company's total liabilities as at 31 December 2017 amounted to RMB7,155 million, which mainly represented long-term borrowings of RMB6,507 million, short-term borrowings of RMB330 million, and interest payables of RMB130 million. Such liabilities were incurred by the Target Company for the acquisition of and the demolition and levelling works carried upon the Land.

As at 31 December 2018

The Target Company's total assets as at 31 December 2018 amounted to RMB7,832 million, representing a growth of 10.1% compared with that as at 31 December 2017. The assets were composed almost entirely of its current assets, namely, cash and cash equivalent of RMB293 million, prepayments of RMB4 million, and capitalised land acquisition costs of RMB7,508 million. The increase in the amount of total assets was mainly due to an increase in capitalised land acquisition costs of RMB1,150 million, partially offset by the decrease in cash and bank balances of RMB454 million.

On the other hand, the Target Company's total liabilities as at 31 December 2018 amounted to RMB7,874 million, representing a growth of 10.0% compared with that as at 31 December 2017, mainly due to the increase in total borrowings of RMB680 million.

As at 31 December 2019

The Target Company's total assets as at 31 December 2019 amounted to RMB8,671 million, representing a growth of 10.7% compared with that as at 31 December 2018. The assets were composed almost entirely of its current assets, namely, cash and cash equivalent of RMB218 million, prepayments of RMB3 million, and capitalised land acquisition costs of RMB8,415 million. The increase in the amount of total assets was mainly due to an increase of capitalised land acquisition costs of RMB907 million, partially offset by the decrease in cash and cash equivalents of RMB75 million.

On the other hand, the Target company's total liabilities as at 31 December 2019 amounted to RMB8,713 million, representing a growth of 10.7% compared with that as at 31 December 2018, mainly due to the increase in total borrowings of RMB844 million.

As at 30 September 2020

The Target Company's total assets as at 30 September 2020 amounted to RMB11,309 million, representing a growth of 30.4% compared with that as at 31 December 2019. The assets were composed almost entirely of its current assets, namely, cash and cash equivalent of RMB13 million and capitalised land acquisition costs of RMB11,256 million. The increase in the amount of total assets was mainly due to an increase in the capitalised land acquisition costs of RMB2,841 million, partially offset by the decrease in cash and cash equivalents of RMB205 million.

The Target Company's total liabilities as at 30 September 2020 amounted to RMB11,351 million, representing a growth of 30.3% compared with that as at 31 December 2019, as a result of an increase in total borrowing by RMB2,666 million.

Gearing ratio

As at 31 December, 2017, 2018, and 2019, and 30 September, 2020, the Target Company's gearing ratio (total liabilities/total assets) was 100.58%, 100.54%, 100.48%, and 100.37%, respectively.

Capital structure

During the Relevant Periods, the Target Company financed its operations solely by external borrowings, which amounted to RMB6,837 million, RMB7,517 million, RMB8,361 million, and RMB11,027 million as at 31 December, 2017, 2018, and 2019, and 30 September, 2020, respectively.

As at 31 December, 2017, 2018, and 2019, and 30 September, 2020, the Target Company recorded a net liability of RMB41 million, RMB42 million, RMB42 million, and RMB42 million, respectively. The net liabilities remained stable despite the escalation of its total assets and liabilities during the Relevant Periods because borrowings obtained were used towards land acquisition and levelling works, which were capitalised as the land value for the corresponding period.

Segment information

No operating or reportable segment information is presented as, other than the operation in relation to acquisition of and levelling works upon the Land, the Target Company did not carry out any business activity since its incorporation.

Charge on assets

At the end of each Relevant Period, the Target Company had no outstanding charges or encumbrances on its assets.

Contingent liabilities

At the end of each Relevant Period, the Target Company had no material contingent liabilities.

Capital commitments

As at 31 December, 2017, 2018, and 2019 and 30 September 2020, the Target Company had entered into certain agreements in respect of the land development, with a total capital commitment of RMB98 million, RMB87 million, RMB484 million and RMB420 million, respectively.

Foreign exchange exposure

During the Relevant Periods, the Target Company operated solely in the PRC with most of its transactions denominated and settled in RMB. In this respect, there had been no significant currency mismatch in its operational cashflows and the Target Company was not exposed to any significant foreign currency exchange risk in its operations. The Target Company did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities during the Relevant Periods.

Employees and remuneration policies

As at 31 December 2017, 2018 and 2019, and 30 September, 2020, Target Company had a total of about 1 employees, 3 employees, 12 employees, and 12 employees, respectively. Remuneration paid amounted to RMBNil, RMB0.4 million, RMB3.2 million, and RMB3.6 million for the years ended 31 December 2017, 2018 and 2019, and 30 September, 2020, respectively. The Target Company adopts a remuneration policy with equal emphasis on the market competitiveness of the remuneration and fairness among the employees.

Significant investment held

During the Relevant Periods, save for the acquisition of the entire interest in the Land, there was no significant investments by the Target Company.

Future plans for material investments and capital assets

Save for the development of the Property, the Target Company did not have any future plans for material investments and capital assets as at the date of this circular.

Future prospect

The Group is a leading large-scale national property developer with developments in rapidly growing Chinese cities and metropolitan regions. Its business scope covers residential and integrated development, property development and operation, business collaboration and customer services. The Board believes that the Investment is a rewarding business opportunity and will contribute considerable cash flow and profits for the Group.

The development plan of the Property is expected to comprise shopping complex, office buildings and a hotel. The shopping complex will bring more variety of shops and restaurants to customers and more spaces for events, enhance the shopping and overall visiting experience of customers, escalate the number of patrons, and ultimately increase the rental income. The office buildings to be built together with that in INDIGO 1 could form a dedicated and famous commercial rim for medium to mega size multinational corporation for their use and expansion and bring stable income to the Group. The hotel to be built is ancillary to the shopping complex and offices and in turn create synergy among themselves.

The Directors believe that the Acquisition can enable the Group to integrate the operations of the Property with other properties developed by the Group in the surrounding area so as to enhance the commercial operation capability and the total value of the properties in such area as a whole. In consideration of the above, the Directors consider that the terms of the acquisition of the Land are fair and reasonable in the current property market conditions, and are in the interests of the Group and the Shareholders as a whole.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**"), including the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the capital contribution made by the Group to Beijing Xingtaitonggang Properties Company Limited (the "**Target Company**") (the "**Transaction**"), as if the Transaction had been taken place on (i) 1 January 2019 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows; and (ii) 30 June 2020 for the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on the audited consolidated financial statements of the Group as at 31 December 2019 and for the year then ended as set out in the Company's published 2019 annual report and unaudited interim financial statements of the Group as at 30 June 2020 and for the six months then ended as set out in the Company's published 2020 interim report, the audited historical financial information of the Target Company as at 30 September 2020 and for the year ended 31 December 2019 which has been extracted from Appendix II to this circular, and the unaudited pro forma adjustments prepared to reflect the effects of the Transaction as described in the accompanying notes.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Enlarged Group had the Transaction been completed as of specific dates or at any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent which those of the Group as set out in the published annual report of the Group for the year ended 31 December 2019 and in the published interim report of the Group for the six months ended 30 June 2020.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	Unaudited consolidated statement of financial position of the Group as at 30 June 2020	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2020
	(Note 1)	*(Note 2)*	*(Note 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	1,763,350	—	—	1,763,350
Right-of-use assets	151,468	—	—	151,468
Land use rights	196,684	—	—	196,684
Intangible assets	71,196	—	—	71,196
Goodwill	148,515	—	—	148,515
Investment properties	13,337,269	—	—	13,337,269
Investments in joint ventures	15,377,524	6,165,000	3,696	21,546,220
Investments in associates	7,425,581	—	—	7,425,581
Financial assets at fair value through other comprehensive income	2,608,684	—	—	2,608,684
Financial assets at fair value through profit or loss	6,891,858	—	—	6,891,858
Trade and other receivables and prepayments	14,215,668	—	—	14,215,668
Deferred income tax assets	1,465,073	—	—	1,465,073
Total non-current assets	63,652,870	6,165,000	3,696	69,821,566
Current assets				
Prepayments for land use rights	1,951,260	—	—	1,951,260
Properties under development	69,409,170	—	—	69,409,170
Inventories, at cost	540,604	—	—	540,604
Land development cost recoverable	1,549,415	—	—	1,549,415
Completed properties held for sale	18,359,025	—	—	18,359,025
Financial assets at fair value through profit or loss	577,989	—	—	577,989
Trade and other receivables and prepayments	53,130,844	—	—	53,130,844
Contract assets	1,161,073	—	—	1,161,073
Restricted bank deposits	1,839,983	—	—	1,839,983
Cash and cash equivalents	41,899,452	(6,165,000)	(3,696)	35,730,756
Total current assets	190,418,815	(6,165,000)	(3,696)	184,250,119
Total assets	254,071,685	—	—	254,071,685

	Unaudited consolidated statement of financial position of the Group as at 30 June 2020	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2020
	(Note 1)	*(Note 2)*	*(Note 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY				
Equity attributable to owners of the Company				
Capital	27,329,232	—	—	27,329,232
Shares held for Restricted Share Award Scheme	(179,849)	—	—	(179,849)
Reserves	(1,656,772)	—	—	(1,656,772)
Retained earnings	24,919,225	—	—	24,919,225
	50,411,836	—	—	50,411,836
Non-controlling interests	16,732,194	—	—	16,732,194
Total equity	67,144,030	—	—	67,144,030
LIABILITIES				
Non-current liabilities				
Borrowings	65,361,641	—	—	65,361,641
Lease liabilities	101,065	—	—	101,065
Trade and other payables	18,837	—	—	18,837
Deferred income tax liabilities	3,191,458	—	—	3,191,458
Total non-current liabilities	68,673,001	—	—	68,673,001
Current liabilities				
Borrowings	22,039,511	—	—	22,039,511
Lease liabilities	55,941	—	—	55,941
Trade and other payables	60,250,590	—	—	60,250,590
Contract liabilities	25,599,293	—	—	25,599,293
Income tax payable	10,183,860	—	—	10,183,860
Financial liabilities at fair value through profit or loss	125,459	—	—	125,459
Total current liabilities	118,254,654	—	—	118,254,654
Total liabilities	186,927,655	—	—	186,927,655
Total equity and liabilities	254,071,685	—	—	254,071,685

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2019	Pro forma adjustments	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2019
	(Note 1)	*(Note 3)*	
	RMB'000	*RMB'000*	*RMB'000*
Revenue	50,926,490	—	50,926,490
Cost of sales	(40,704,418)	—	(40,704,418)
Gross profit	10,222,072	—	10,222,072
Interest and other income	2,770,938	—	2,770,938
Other gains — net	698,520	—	698,520
Fair value gains on investment properties	373,381	—	373,381
Selling and marketing expenses	(1,270,120)	—	(1,270,120)
Administrative expenses	(1,919,326)	—	(1,919,326)
Operating profit	10,875,465	—	10,875,465
Finance costs	(2,393,714)	—	(2,393,714)
Share of results of joint ventures	1,519,370	(28)	1,519,342
Share of results of associates	415,361	—	415,361
Profit before income tax	10,416,482	(28)	10,416,454
Income tax expense	(6,250,215)	—	(6,250,215)
Profit for the year	4,166,267	(28)	4,166,239

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2019	Pro forma adjustments	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2019
	(Note 1)	*(Note 3)*	
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	4,166,267	(28)	4,166,239
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value gains on financial assets at fair value through other comprehensive income, net of tax	25,794	—	25,794
Items that may be reclassified to profit or loss			
Fair value gains on property, plant and equipment transferred to investment properties	17,808	—	17,808
Currency translation differences	108,282	—	108,282
Other comprehensive income for the year	151,884	—	151,884
Total comprehensive income for the year, net of tax	4,318,151	(28)	4,318,123
Total comprehensive income attributable to:			
Owners of the Company	2,497,211	(28)	2,497,183
Non-controlling interests	1,820,940	—	1,820,940
	4,318,151	(28)	4,318,123

The Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2019	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2019
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities					
Profit for the year	4,166,267	—	(28)	—	4,166,239
Adjustments for:					
Income tax expense	6,250,215	—	—	—	6,250,215
Depreciation	96,380	—	—	—	96,380
Amortization of land use rights	5,056	—	—	—	5,056
Amortization of intangible assets	11,800	—	—	—	11,800
Amortization of right of use assets	153,292	—	—	—	153,292
Valuation gains on investment properties	(373,381)	—	—	—	(373,381)
Share of results of joint ventures	(1,389,216)	—	28	—	(1,389,188)
Share of results of associates	(335,257)	—	—	—	(335,257)
Gains on disposal of joint ventures and associate	(108,018)	—	—	—	(108,018)
Gains on deemed disposal of joint ventures and an associate	(107,513)	—	—	—	(107,513)
Dividend income	(232,314)	—	—	—	(232,314)
Interest income	(2,390,318)	—	—	—	(2,390,318)
Gains on disposal of interests in subsidiaries	(716,413)	—	—	—	(716,413)
Gains on disposal of financial assets at fair value through profit or loss	(32,379)	—	—	—	(32,379)
Losses on sale of property, plant and equipment	4,821	—	—	—	4,821
Fair value gains on financial assets and financial liabilities at fair value through profit or loss	(228,937)	—	—	—	(228,937)
Impairment charges	601,695	—	—	—	601,695
Derecognition of goodwill	29,428	—	—	—	29,428
Finance costs	2,393,714	—	—	—	2,393,714
Gains on acquisition of a subsidiary	(798)	—	—	—	(798)
Gains on disposal of an investment property	(865)	—	—	—	(865)
Exchange gains	(408,843)	—	—	—	(408,843)
Share-based payments	272,960	—	—	—	272,960

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2019	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2019
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):					
Completed properties held for sale	(201,886)	—	—	—	(201,886)
Inventories, at cost	(367,079)	—	—	—	(367,079)
Amounts due from customers for contract work	(314,411)	—	—	—	(314,411)
Trade and other receivables and prepayments	(7,878,647)	—	—	—	(7,878,647)
Land development cost recoverable	(114,659)	—	—	—	(114,659)
Prepayments for land use rights	(486,396)	—	—	—	(486,396)
Trade and other payables	657,874	—	—	—	657,874
Financial assets at fair value through profit or loss	(83,800)	—	—	—	(83,800)
Advance receipts from customers	(4,245,382)	—	—	—	(4,245,382)
Properties under development	10,315,826	—	—	—	10,315,826
Restricted bank deposits	851,193	—	—	—	851,193
Cash generated from operations	5,794,009	—	—	—	5,794,009
Interest paid	(5,088,722)	—	—	—	(5,088,722)
Income tax paid	(4,008,105)	—	—	—	(4,008,105)
Net cash used in operating activities	(3,302,818)	—	—	—	(3,302,818)

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2019	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2019
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from investing activities					
Purchases of property, plant and equipment	(551,364)	—	—	—	(551,364)
Proceeds from sale of property, plant and equipment	22,254	—	—	—	22,254
Proceeds from sale of investment properties	3,234	—	—	—	3,234
Purchases of investment properties	(86,398)	—	—	—	(86,398)
Purchases of intangible assets	(113)	—	—	—	(113)
Purchases of financial assets at fair value through profit or loss	(3,435,869)	—	—	—	(3,435,869)
Proceeds from disposal of financial assets at fair value through profit or loss	135,476	—	—	—	135,476
Dividends received	232,314	—	—	—	232,314
Purchases of land use rights	(132,439)	—	—	—	(132,439)
Acquisition of subsidiaries, net of cash acquired	(450,839)	—	—	—	(450,839)
Proceeds from disposal of interests in subsidiaries, net of cash disposed	(64,259)	—	—	—	(64,259)
Capital injection to joint ventures	(2,647,779)	(6,165,000)	—	—	(8,812,779)
Transaction costs directly in connection with the investment in the joint venture	—	—	—	(3,696)	(3,696)
Proceeds from disposal of joint ventures	1,722,364	—	—	—	1,722,364
Capital injection to associates	(160,047)	—	—	—	(160,047)
Proceeds from disposal of interests in an associate	51,798	—	—	—	51,798
Dividends received from joint ventures and associates	697,260	—	—	—	697,260
Entrusted loans advanced	(25,403,881)	—	—	—	(25,403,881)
Repayment of entrusted loans	23,113,799	—	—	—	23,113,799
Interest received	2,390,318	—	—	—	2,390,318
Net cash used in investing activities	(4,564,171)	(6,165,000)	—	(3,696)	(10,732,867)

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2019	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2019
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities					
Proceeds from borrowings	40,045,123	—	—	—	40,045,123
Repayments of borrowings	(42,465,196)	—	—	—	(42,465,196)
Amounts due to a non-controlling interest	—	—	—	—	—
Consideration paid for transactions with non-controlling interests	(60,824)	—	—	—	(60,824)
Capital injection from non-controlling interests	4,491,101	—	—	—	4,491,101
Dividends paid to non-controlling interests	(431,941)	—	—	—	(431,941)
Dividends paid to the shareholders of the Company	(1,244,768)	—	—	—	(1,244,768)
Distribution relating to capital securities	(407,971)	—	—	—	(407,971)
Repayment of capital instrument	(3,500,000)	—	—	—	(3,500,000)
Purchase of shares for Restricted Share Award Scheme	(1,030)	—	—	—	(1,030)
Issue of shares pursuant to exercise of employee share options	346	—	—	—	346
Issue of capital securities	3,168,900	—	—	—	3,168,900
Distribution relating to capital instrument	(289,874)	—	—	—	(289,874)
Net cash used in financing activities	(696,134)	—	—	—	(696,134)
Decrease in cash and cash equivalents	(8,563,123)	(6,165,000)	—	(3,696)	(14,731,819)
Cash and cash equivalents at beginning of the year	39,208,481	—	—	—	39,208,481
Exchange gains on cash and cash equivalents	408,843	—	—	—	408,843
Cash and cash equivalents at end of the year	31,054,201	(6,165,000)	—	(3,696)	24,885,505

II. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1 The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published interim report of the Company for the six months ended 30 June 2020 and the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the annual report of the Company for the year ended 31 December 2019.

2 (a) The Group has contributed capital in cash of RMB6,165,000,000 to the Target Company according to the shareholders' agreement dated 18 December 2020, through its wholly owned subsidiaries namely Beijing Yingyu Enterprise Management Consulting Co., Ltd. and Tianjin Yigangtong Enterprise Management Co., Ltd. (collectively the "**Subsidiaries**"), which was satisfied by the Group's internal resources (i.e. cash and cash equivalents). Upon completion of the Transaction, the Target Company will be accounted for as an investment in joint venture in the consolidated statement of financial position of the Enlarged Group in accordance with the Group's accounting policies and Hong Kong Financial Reporting Standards. The adjustments represent the aforesaid capital contribution to the Target Company in connection with the Transaction. Fair value of the Target Company as of 30 September 2020 is approximately RMB9,491,564,000 and the portion of the fair value of the Target Company attributable to the Group is approximately RMB6,149,584,000. As such, notional goodwill, represents the excess of the cost of investment of the joint venture over the fair value of the Group's share of the net identifiable assets of the acquired joint venture amounted to approximately RMB19,112,000 are included in the carrying amount of the investment in the joint venture.

(b) Based on the shareholders' agreement dated 18 December 2020, entered into among the JV Partner, the Subsidiaries and the Existing Shareholders (the "**Agreement**"), the JV Partner and the Subsidiaries will further provide shareholders' loans of not more than RMB2,600,000,000 (the "**Shareholders' Loan**") which bear intended interest rate of 6.5% per annum to the Target Company in proportion to their respective equity holdings in the Target Company. The portion of the Shareholders' Loan to be potentially provided by the Subsidiaries will not be more than RMB1,684,540,000. For the purpose of the Unaudited Pro Forma Financial Information, no adjustment has been made for the portion of the Shareholders' Loan that may potentially be further provided by the Subsidiaries.

(c) Based on the Agreement, the Subsidiaries and the JV Partner agreed to provide credit enhancement, if required by third party lenders, with respect to the external borrowings of the Target Company in proportion to their respective equity holdings in the Target Company if the Target Company is obtaining additional financing from third parties. In the event that the Target Company is not able to borrow sufficient funds from third party lenders in respect of the additional funding, it is intended that the JV Partner and the Subsidiaries shall provide further capital contribution or additional shareholder's loan, if necessary, to the Target Company in proportion to their respective equity holdings in the Target Company. For the purpose of the Unaudited Pro Forma Financial Information, no adjustment has been made for the potential credit enhancement, further capital contribution or additional shareholder loans that may potentially be further provided by the Subsidiaries.

3 The adjustment represents the share of results of the Target Company assuming the Transaction was completed on 1 January 2019. The amount is calculated based on the historical financial information of the Target Company for the year ended 31 December 2019 extracted from the accountant's report of the Target Company as set out in Appendix II to this circular.

4 The adjustment represents transaction costs to be incurred directly in connection with the capital contribution to the Target Company as mentioned in Note 2 above (including legal fees, printing costs, reporting accountant's fees and other related expenses) to be borne by the Group of RMB3,696,000. Such amount will be capitalized in the investments in joint ventures in the consolidated statement of financial position of the Enlarged Group.

5 The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

6 Apart from the above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to (i) 30 June 2020 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position; and (ii) 31 December 2019 for the purpose of preparation of the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Sino-Ocean Group Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sino-Ocean Group Holding Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and Beijing Xingtaitonggang Properties Company Limited (the "**Target Company**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2020, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2019 and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-11 of the Company's circular dated 24 February 2021, in connection with the proposed acquisition of the Target Company (the "**Transaction**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-11 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2020 and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the Transaction had taken place at 30 June 2020 and 1 January 2019 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim financial information for the period ended 30 June 2020 set out in the interim report, on which a review report has been published, while information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2019, on which an audit report has been published.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2020 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 February 2021

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interest of the Target Company for future development as at 31 December 2020.

CUSHMAN & WAKEFIELD
戴德梁行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

24 February 2021

The Directors
Sino-Ocean Group Holding Limited
Suite 601,
One Pacific Place,
88 Queensway, Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Sino-Ocean Group Holding Limited (遠洋集團控股有限公司) (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to value the property interest (the "**Property**") held by 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited*) (the "**Target Company**") situated in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation report), we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property as at 31 December 2020 (the "**Valuation Date**").

VALUATION BASIS

Our valuation of the Property represents its market value which in accordance with The HKIS Valuation Standards 2020 Edition published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuation is undertaken in accordance with The HKIS Valuation Standards 2020 Edition published by the HKIS.

Our valuation of the Property is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2020 Edition published by the HKIS.

In the course of our valuation of the Property, we have assumed that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Company's PRC legal adviser (the "**Legal Adviser**") regarding the title to the Property and the interest in the Property.

As at 19 February 2021, there are no specific arrangements between the parties to the investment in the Target Company as to equity and profit sharing. Any distributions by the Target Company shall comply with the relevant laws and regulations applicable to the Target Company at the relevant time.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

We have not carried out detailed site measurements to verify the correctness of the site area in respect of the Property but have assumed that the site area shown on the documents and/or official plans handed to us by the Company are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

MARKET UNCERTAINTY

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property value will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the Property is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property value after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property value may or may not have changed since the Valuation Date.

VALUATION METHOD

In valuing the Property, we have used Market Comparison Method which is universally considered the most accepted valuation method for valuing most forms of real estate. This involves analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analyzed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making adjustments to the unit rate for various factors, such as location, size, accessibility, and so on. In arriving at the final value of the Property, we have also taken into account incurred construction costs.

Besides, we have also considered the development value of the Property as if completed subject to allowance of relevant development costs and associated risks. However, the Property is a bare site at an early stage of conceptual planning, there is still uncertainty before a concrete development scheme is determined. Therefore we have used such method for cross-checking only but have not relied on it in concluding the valuation opinion.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of land and buildings, particulars of occupancy, construction cost, site and floor areas, site and floor plans, development scheme, interests attributable to the Target Company and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the Property in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult the Legal Adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles to the Property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to verify the authentication of the title certificates or ascertain the title of the Property and we have therefore relied on the advice given by the Legal Adviser regarding the interests of the Target Company in the Property.

SITE INSPECTION

Eric Liu (Senior Associate Director, MRICS, CIREA) inspected the Property on 12 January 2021. However, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and the no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site area and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuation are in Renminbi ("**RMB**"), the official currency of the PRC.

CONFIRMATION OF INDEPENDENCE

We have valued the Property as at 31 December 2020 for Beijing Xingtaitonggang Properties Company Limited* for financial reporting purpose at the same value as reported herein.

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

INTENDED USE OF REPORT

This valuation report is issued for the use of the Company for regulatory disclosure purpose.

We enclose herewith a valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MRICS, MHKIS, RPS (GP)
Director, Valuation & Advisory Services, Greater China

Note: Ms. Grace Lam is a Registered Professional Surveyor who has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

* *For identification purposes only*

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
A development site for a proposed development to be known as INDIGO 2, Plots 627 and 628, east of INDIGO 1, north of Xiaochenzhuang South Street, west and south of municipal green land, Tuofangying Village, Jiangtai Town, Chaoyang District, Beijing, the PRC (中國北京市朝陽區將台鄉駝房營村頤堤港二期在建土地，頤堤港一期以東、小陳莊南街以北、市政綠化用地以西及以南，627號地塊和628號地塊)	The Property comprises a site of 78,298.68 sq m for a proposed mixed use development to be known as INDIGO 2. As advised by the Company, upon completion, the development will comprise the following gross floor areas: **Use** — **Planned Gross Floor Area** *(sq m)* Office — 281,800.78 Commercial — 88,139.82 Hotel — 29,447.00 Storage — 1,867.52 Car parks — 75,988.03 Others — 87,473.78 **Total** — 564,716.93 The land use rights of the Property have been granted for terms of 40 years due to expire on 8 July 2060 for commercial use, and 50 years due to expire on 8 July 2070 for office, underground storage and underground parking uses.	As at the Valuation Date, the Property was a bare site.	RMB11,471,000,000 (RENMINBI ELEVEN BILLION FOUR HUNDRED SEVENTY ONE MILLION)

Notes:

(1) According to 2 Real Estate Title Certificates issued by 北京市規劃和自然資源委員會 (Beijing Planning and Natural Resources Committee) (the "**Grantor**"), the land use rights of the Property have been vested in 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited*) with details as follows:

Certificate No.	**Land Use Term Expiry Date**	**Use**	**Site Area** *(sq m)*
(2020)0055444	Underground storage:8 July 2070 Underground parking:8 July 2070 Office:8 July 2070 Commercial:8 July 2060	Underground storage Underground parking Office Commercial	44,298.68
(2020)0055443	Underground storage:8 July 2070 Underground parking:8 July 2070 Office:8 July 2070 Commercial:8 July 2060	Underground storage Underground parking Office Commercial	34,000.00
		Total:	78,298.68

It is worth noting the following covenants:

a. The sites serve as green belts from the neighbouring park.

b. The sites must be used for developing real estate property for self-sustainable operation.

c. The holder of the real estate title must hold and operate the real estate property and must not transfer or dispose of the real estate property or the equity interest, or modify the planned land uses without prior permission of the Grantor. Any breach of the above will render the Grantor to re-enter the sites and take possession of the land use rights.

d. Upon expiry of the land use terms, the land use rights will be reverted to the Central Government.

(2) According to two Grant Contracts of State-owned Land Use Rights and their Supplementary Agreements dated 9 July 2020, the land use rights of the Property have been contracted to be granted to 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited*) with salient details as follows:

Contract Number	:	Jing Di Chu (He) (2020) 0081 (Land Plot 2) Jing Di Chu (He) (2020) 0082 (Land Plot 1)
Land Use	:	Commercial, office, underground parking, underground storage (serve as green belt)
Site Area	:	34,000 sq m (Land Plot 2) 44,298.68 sq m (Land Plot 1) 78,298.68 sq m (total)
Land Use Term	:	40 years for commercial (serve as green belt) 50 years for office, underground parking and underground storage (serve as green belt)
Permissible Gross Floor Area	:	254,500 sq m (Land Plot 2) 310,216.93 sq m (Land Plot 1) 564,716.93 sq m (total)

Land Premium	:	RMB780,465,070 (Land Plot 2) RMB1,061,654,377 (Land Plot 1) RMB1,842,119,447 (total)
Building Covenant	:	To commence construction before 15 April 2021 To complete construction before 15 April 2023
Alienation Restriction	:	The holder of the real estate title must hold and operate the real estate property and must not transfer or dispose of the real estate property or the equity interest, or modify the planned land uses without prior permission of the Grantor. Any breach of the above will render the Grantor to re-enter the sites and take possession of the land use rights.

(3) According to 2 Planning Permits for Construction Works issued by 北京市規劃和自然資源委員會 (Beijing Planning and Natural Resources Committee), the construction works of the development are in compliance with the construction works requirements and have been approved with details as follows:

No.	Permit No.	Issue Date	Planned Gross Floor Area (sq m)
1	(2020)0031	3 August 2020	254,500.00
2	(2020)0030	30 July 2020	310,216.93
		Total:	564,716.93

(4) According to 4 Commencement Permits for Construction Works issued by 北京市朝陽區住房和城鄉建設委員會 (Beijing Chaoyang District Housing and Urban and Rural Development Committee), the construction works of the development are in compliance with the requirements for works commencement and have been permitted with details as follows:

No.	Permit No.	Issue Date	Planned Gross Floor Area (sq m)
1	(2020)0490	9 September 2020	121,840.00
2	(2020)0493	9 September 2020	132,660.00
3	(2020)0494	9 September 2020	113,618.45
4	(2020)0491	9 September 2020	196,598.48
			564,716.93

(5) As advised by the Company, upon completion of the development, a total gross floor area of 20,000 sq m will be delivered to the local township government upon its request subject to compensation at cost.

(6) As advised by the Company, the total incurred construction cost as at the Valuation Date was approximately RMB714,000,000. In the course of our valuation, we have taken into account such incurred cost.

(7) According to Business Licence No. 911101053484670581 dated 20 October 2015, 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited*) was established on 8 July 2015 as a limited company with a registered capital of RMB10,000,000 for a valid operating period from 8 July 2015 to 7 July 2045.

(8) We have been provided with a legal opinion on the Property prepared by the Legal Adviser, which contains, inter alia, the following information: -

(a) The Real Estate Title Certificates of the Property are legal, valid and enforceable under the PRC laws;

(b) All land premium has been settled in full;

(c) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(d) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited*) has the right to freely occupy, use and lease of the land use rights.

(9) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

Real Estate Title Certificate	Yes
Grant Contract of State-owned Land Use Rights and Supplementary Agreement	Yes
Planning Permit for Construction Works	Yes
Commencement Permit for Construction Works	Yes
Business Licence	Yes

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interest of the Indigo 1 Holding Company as at 31 December 2020.

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

24 February 2021

The Directors
Sino-Ocean Group Holding Limited
Suite 601,
One Pacific Place,
88 Queensway, Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Sino-Ocean Group Holding Limited (遠洋集團控股有限公司) (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to value the property interest (the "**Property**") held by 北京麟聯置業有限公司 (Beijing Linlian Real Estate Co., Ltd.) (the "**Indigo 1 Holding Company**") situated in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation report), we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property as at 31 December 2020 (the "**Valuation Date**").

VALUATION BASIS

Our valuation of the Property represents its market value which in accordance with The HKIS Valuation Standards 2020 Edition published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuation is undertaken in accordance with The HKIS Valuation Standards 2020 Edition published by the HKIS.

Our valuation of the Property is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2020 Edition published by the HKIS.

In the course of our valuation of the Property, we have assumed that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Company's PRC legal adviser (the "**Legal Adviser**") regarding the title to the Property and the interest in the Property.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Property but have assumed that the site and floor areas shown on the documents and/or official plans handed to us by the Company are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

MARKET UNCERTAINTY

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property value will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the Property is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property value after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property value may or may not have changed since the Valuation Date.

VALUATION METHOD

In valuing the retail, office car park portions of the Property, we have used Investment Method under Income Approach by capitalizing the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the Property at appropriate capitalisation rates. We have also cross-checked against comparable sales evidence as available in the relevant market. Transactions involving large scale properties of the same nature and tenancy structure in the same districts are not frequent. On the other hand, as the investment property portions generate rental income from letting arrangements and such rental comparables are more readily available, we consider the Investment Method, which is also commonly used in valuing properties for investment purpose, to be the best method to value these property portions.

When using Investment Method, we have mainly made reference to lettings within the subject property as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, trade mix, size, time and other relevant factors.

The capitalisation rates adopted in our valuation are based on our analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

Due to scarcity of transactions of hotel properties, we have not relied on Market Comparison Method. We have valued the hotel portion of the Property by Discounted Cash Flow ("**DCF**") Method under Income Approach, which is a commonly adopted and widely acceptable method for valuing hotel properties. DCF Method involves discounting future net cash flow after operation-related and property-related capital taxes (i.e. net operating income) of the Property for a certain forecast period and the anticipated net operating income receivable thereafter being capitalised at an appropriate terminal capitalisation rate until the end of the respective unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared the cash flow forecast for 10 years with reference to the current and anticipated market conditions.

The discount rate adopted in DCF Method reflects the rate of return required by a third party investor for an investment of similar use type. In determining the discount rate which reflects the inherent risks associated with investment in the Property, we take into consideration compensation for risks inherent in future cash flows, inflation, revenue growth, our understanding of the return expected by investors for similar properties as well as the level of discount rates used in valuations of similar types of properties. The discount rate adopted is reasonable and in line with the market norm having regard to the relevant analyses.

In determining the terminal capitalisation rate for assessing the terminal value, we have had due regard, among other things, to (i) our analyses of known sales transactions of properties of similar use types, or (ii) where transactions of properties of similar use types are not available, the discount rate we have adopted, our forecasted change in revenue over the 10-year forecast period, and the duration of the remaining land use term of the Property. The terminal capitalisation rate adopted is reasonable and in line with the market norm having regard to the relevant analyses.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, number of guest rooms and parking spaces, facilities, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the Property in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult the Legal Adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles to the Property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to verify the authentication of the title certificates or ascertain the title of the Property and we have therefore relied on the advice given by the Legal Adviser regarding the interests of the Indigo 1 Holding Company in the Property.

SITE INSPECTION

Eric Liu (Senior Associate Director, MRICS, CIREA) inspected the exterior and, wherever possible, the interior of the Property on 12 January 2021. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site area and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuation are in Renminbi ("**RMB**"), the official currency of the PRC.

CONFIRMATION OF INDEPENDENCE

We have valued the Property as at 31 December 2020 for Beijing Linlian Real Estate Company Limited for financial reporting purpose at the same value as reported herein. We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

INTENDED USE OF REPORT

This valuation report is issued for the use of the Company for regulatory disclosure purpose.

We enclose herewith a valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MRICS, MHKIS, RPS (GP)
Director, Valuation & Advisory Services, Greater China

Note: Ms. Grace Lam is a Registered Professional Surveyor who has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at 31 December 2020</th></tr>
<tr>
<td>INDIGO 1,
No. 18 Jiuxianqiao Road,
Chaoyang District,
Beijing,
the PRC

(中國
北京市
朝陽區
酒仙橋路18號
頤堤港一期)</td>
<td>The Property comprises the whole of a composite development known as INDIGO 1 consisting of a shopping mall, an office tower, a hotel and 1,245 car parking spaces. The retail, office and car park portions of the Property were completed in between 2011 and 2012.

According to the information provided by the Company, the Property has a total gross floor area of 175,294 sq m (excluding car parking spaces).

<table>
<tr><th>Uses</th><th>Gross Floor Area
(sq m)</th></tr>
<tr><td>Retail</td><td>87,281</td></tr>
<tr><td>Office</td><td>54,726</td></tr>
<tr><td>369-room Hotel</td><td>33,287</td></tr>
<tr><td>Total</td><td>175,294</td></tr>
</table>

The land use rights of the property have been granted for terms of 40 years due to expire on 28 August 2044 for commercial and facilities uses, and 50 years due to expire on 28 August 2054 for office and basement parking uses.</td>
<td>As at the valuation date, parts of the retail development with a total lettable floor area of approximately 45,730 sq m were subject to various tenancies or letters of intent with the latest one due to expire in August 2031 at a total monthly rent of approximately RMB19,000,000.

As at the valuation date, parts of the office development with a total gross floor area of approximately 36,184 sq m were subject to various tenancies or letters of intent with the latest one due to expire in May 2025 at a total monthly rent of approximately RMB10,000,000.

As at the valuation date, some car parking spaces were subject to various tenancies or let on monthly or hourly bases.

The remainders of the retail, office and car park portions were vacant.

The hotel was operated and managed by the owner.</td>
<td>RMB6,883,000,000

(RENMINBI SIX BILLION EIGHT HUNDRED AND EIGHTY THREE MILLION)</td>
</tr>
</table>

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2007) 0529 issued by Beijing Land Resources Bureau, the land use rights of the Property having a site area of 58,368.58 sq m have been vested in 北京麟聯置業有限公司 (Beijing Linlian Real Estate Co., Ltd.) for land use terms of 40 years due to expire on 28 August 2044 for commercial and underground commercial uses, and 50 years due to expire on 28 August 2054 for office, underground office and basement car park uses.

(2) According to 4 Real Estate Ownership Certificates issued by the Beijing Municipal Commission For City Planning And Land Resources Management on between 5 January 2018 and 9 February 2018, the real estate ownership of portions of the Property with a site area of 58,368.58 sq m and a total gross floor area of 272,615.10 sq m is vested in 北京麟聯置業有限公司 (Beijing Linlian Real Estate Co., Ltd.). The details are as follows:

Certificate No.	Portion	Use	Gross Floor Area (sq m)	Expiry of Land Use Term
0011141	Level LG1–LG3	Commercial, facilities, parking and bicycle parking	116,032.97	Commercial: 28 August 2044 Basement car park: 28 August 2054
0011142	Levels 1–4	Commercial	68,568.98	28 August 2044
0010980	Levels 3–24	Office	54,726.19	28 August 2054
0023474	Levels 1–24	Hotel	33,286.96	28 August 2044
		Total:	272,615.10	

(3) According to Planning Permit for Construction Land No. 2008 (0053), the proposed construction land use of the Property complies with the town planning requirements and permission for construction of a total site area of 58,628.35 sq m has been granted to 北京麟聯置業有限公司 (Beijing Linlian Real Estate Co., Ltd.).

(4) According to Planning Permit for Construction Works No. 2008 (0178), the proposed construction works of INDIGO 1 comply with the town planning requirements and the permitted total gross floor area is 306,462 sq m.

According to Planning Permit for Construction Works No. 2010 (0016), the proposed construction works of INDIGO 1 comply with the town planning requirements and the permitted total gross floor area is 295,205 sq m.

(5) According to Permit for Commencement of Works No. 2009 (0016), the proposed construction works of INDIGO 1 comply with the construction works commencement conditions and the total permitted gross floor area is 306,462 sq m. The permitted construction period was granted from 1 December 2008 to 16 November 2011.

(6) According to Completion Examination Filing Form No. (Chaoyang) 2011–270 dated 29 December 2011, the office block of INDIGO 1 of a total gross floor area of 55,320 sq m has satisfied the completion examination.

According to Completion Examination Filing Form No. 0066 (Chao Jun) 2012 (Jian) 0016 dated 23 February 2012, the commercial block of INDIGO 1 of a total gross floor area of 87,281 sq m has satisfied the completion examination.

According to Completion Examination Filing Form No. (Chaoyang) 2011–271 dated 29 December 2011, the basement car park and ancillary facilities of INDIGO 1 of a total gross floor area of 119,320 sq m has satisfied the completion examination.

According to Completion Examination Filing Form No. (Chaoyang) 2017–145 dated 4 September 2017, the hotel block of INDIGO 1 of a total gross floor area of 33,284 sq m has satisfied the completion examination.

(7) According to Business Licence No. 91110105798502324A dated 18 June 2020, 北京麟聯置業有限公司 (Beijing Linlian Real Estate Co., Ltd.) was established on 1 February 2007 as a limited company with a registered capital of RMB400,000,000 for an operating period from 1 February 2007 to 31 January 2027.

(8) We have been provided with a legal opinion on the Property prepared by the Legal Adviser, which contains, inter alia, the following information:

(a) 北京麟聯置業有限公司 (Beijing Linlian Real Estate Co., Ltd.) legally owned the real estate and the land use rights in the Real Estate Ownership Certificates under the PRC laws;

(b) 北京麟聯置業有限公司 (Beijing Linlian Real Estate Co., Ltd.) has the right to freely occupy, use and lease of the land use rights.

(9) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Ownership Certificate	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Works	Yes
Business Licence	Yes
Completion Examination Filing Form	Yes

(10) The values of the constituent components of the Property are set out below:

Retail portion	:	RMB3,317,000,000
Office portion	:	RMB2,489,000,000
Hotel portion	:	RMB820,000,000
Car parking portion	:	RMB257,000,000

(11) When conducting our valuation, we have made reference to the prevailing room rate and occupancy rate of similar hotels in Chaoyang District in the ranges of RMB800–RMB1,300 per night and 30%–40% respectively.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executives in the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company, including their respective associates in the equity or equity securities of the Company or its associated corporations (within the meanings of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies had been notified to the Company and the Stock Exchange were as follows:

(i) Directors' interests in Shares and underlying Shares (Long Positions):

Name of Directors	Nature of interest	No. of Shares held (long position)	No. of underlying Shares comprised in share options *(note i)*	Total	Percentage in the Company's issued share capital *(note iv)*
Mr. LI Ming	Founder of discretionary trust	127,951,178 *(note ii)*	—	127,951,178	1.680%
	Beneficiary of trust	14,914,200 *(note iii)*	—	14,914,200	0.196%
	Beneficial owner	65,445,000	81,000,000	146,445,000	1.923%
Mr. WANG Honghui	Beneficial owner	273,295	4,400,000	4,673,295	0.061%
Mr. CUI Hongjie	Beneficial owner	369,571	4,670,000	5,039,571	0.066%
Mr. ZHAO Peng	—	—	—	—	—
Mr. FU Fei	Beneficial owner	—	600,000	600,000	0.008%
Mr. Hou Jun	—	—	—	—	—
Ms. LI Liling	Beneficial owner	—	600,000	600,000	0.008%
Mr. HAN Xiaojing	Beneficial owner	460,000	2,300,000	2,760,000	0.036%
Mr. SUEN Man Tak	Beneficial owner	120,000	2,300,000	2,420,000	0.032%
Mr. WANG Zhifeng	Beneficial owner	120,000	2,300,000	2,420,000	0.032%
Mr. JIN Qingjun	Beneficial owner	120,000	2,300,000	2,420,000	0.032%
Ms. LAM Sin Lai Judy	Beneficial owner	—	2,300,000	2,300,000	0.030%

Notes:

(i) The share options were granted pursuant to the share option schemes of the Company.

(ii) The 127,951,178 Shares are held by a discretionary trust of which Mr. LI Ming is the founder.

(iii) The 14,914,200 Shares are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.

(iv) Calculated based on the Company's total number of issued Shares of 7,616,095,657 as at the Latest Practicable Date.

(ii) Directors' interests in shares of associated corporation of the Company (Long Positions)

Name of Directors	Name of associated corporation	Nature of interest	No. of ordinary shares of associated corporation held (long position)	Percentage of total issued share capital of associated corporation *(note)*
Mr. WANG Honghui	Gemini Investments (Holdings) Limited	Beneficial owner	132,000	0.021%

Note: Calculated based on Gemini Investments (Holdings) Limited's total number of issued ordinary shares of 635,570,000 as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO, the persons (other than a Director or chief executive of the Company or their respective associates) or entities who had an interest or a short position in the shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholders	**Capacity**	**Long/short position**	**No. of Shares held**	**Percentage in the Company's issued share capital** *(note iii)*
China Life Insurance (Group) Company ("**China Life Insurance Group**") *(note i)*	Interest of controlled corporation	Long	2,253,459,151	29.59%
Dajia Insurance Group Co., Ltd.* (大家保險集團有限責任公司) ("**Dajia Insurance**") *(note ii)*	Interest of controlled corporation	Long	2,252,646,115	29.58%

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**"). China Life Insurance Group was interested in 68.37% of China Life. China Life Insurance Group was deemed to be interested in these Shares by virtue of the SFO.

(ii) The 2,252,646,115 Shares were registered in the name of, and beneficially owned by, Dajia Life Insurance Co., Ltd.* (大家人壽保險股份有限公司) ("**Dajia Life Insurance**"). Dajia Insurance was interested in 99.98% of Dajia Life Insurance. Dajia Insurance was deemed to be interested in these Shares by virtue of the SFO.

(iii) Calculated based on the Company's total number of issued Shares of 7,616,095,657 as at the Latest Practicable Date.

Save as disclosed herein, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of any compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group, and since 31 December 2019 (the date to which the latest published full year results of the Group were made up), none of the Directors is directly or indirectly interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualification of the experts who have given advice, letter or opinion for incorporation and as contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Cushman & Wakefield Limited	Independent valuer

As at the Latest Practicable Date, each of the experts identified above has no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts identified above had no direct or indirect interests in any assets which have been, since 31 December 2019 (the date to which the latest published 2019 full year results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

6. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Enlarged Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) were entered into by member(s) of the Enlarged Group within the two years immediately preceding the date of this circular which are or may be material:

(i) the amendment agreement dated 20 June 2019 and entered into among Heroic Peace Limited (傑寧有限公司) (a wholly-owned subsidiary of the Company), Charm Reliance International Limited, Delight Finance International Limited, Leading Bright Investment Limited (領昱投資有限公司) and Fortune Joy Ventures Limited (瑞喜創投有限公司) (the "**Fortune Joy Ventures**", a then wholly-owned subsidiary of the Company), amending and supplementing the shareholders' agreement dated 1 February 2019 and entered into among the parties in relation to, among other matters, the management and affairs of the Fortune Joy Ventures, details of which are set out in the announcements of the Company dated 20 June 2019 and 3 February 2019, respectively;

(ii) the MOU;

(iii) the Shareholders' Agreement;

(iv) the Capital Increase Agreement;

(v) the INDIGO 1 Options Agreement; and

(vi) the Retained Property Agreement.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection during the normal business hours (save for Saturday and public holidays) at the registered office of the Company in Hong Kong at Suite 601, One Pacific Place, 88 Queensway, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020;

(c) contracts referred to in the section headed "Material Contracts" in this appendix;

(d) the accountant's report on the Target Company, the text of which is set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(f) the valuation report of the Land, the text of which is set out in Appendix V to this circular;

(g) the valuation report of INDIGO 1, the text of which is set out in Appendix VI to this circular;

(h) the letters of consent from the experts identified in the section headed "Qualification and Consent of Experts" above in this appendix; and

(i) this circular.

9. GENERAL

(a) The registered office of the Company is Suite 601, One Pacific Place, 88 Queensway, Hong Kong.

(b) The principal place of business of the Company is 31–33 Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC.

(c) The company secretary of the Company is Mr. CHUNG Kai Cheong. He is currently a fellow of each of the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.

(d) The Company's share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text.

The following sets out the details of Mr. Cui Hongjie who will retire and, being eligible, offer himself for re-election at the EGM pursuant to the articles of association of the Company:

MR. CUI HONGJIE (崔洪杰)

Mr. Cui Hongjie, aged 48, is an Executive Director and the Executive President of the Company, and also the general manager of the product construction centre. Mr. Cui joined the Company in August 1996 and has served as general manager of costing and engineering department, general manager of technology and cost department, assistant to CEO and vice president of the Company. Mr. Cui is the joint chairman, a non-executive director and a member of each of the audit committee and nomination committee of Sino-Ocean Service Holding Limited, a subsidiary of the Company listed on the Stock Exchange. Mr. Cui has extensive experience in operation and development of real estate product creation and management. Mr. Cui graduated from Beijing University of Technology and obtained a bachelor's degree in engineering in 1996, and graduated from Beijing University of Technology and obtained a master's degree in engineering in 2001. Mr. Cui is a member of the Royal Institution of Chartered Surveyors, a national registered first-class constructor and a senior engineer.

As at the Latest Practicable Date, Mr. Cui was beneficially interested in 369,571 Shares and under the share option scheme of the Company, Mr. Cui was beneficially interested in share options to subscribe for 2,670,000 Shares and 2,000,000 Shares at an exercise price of HK$3.80 and HK$4.70 per Share, respectively.

There is currently no service contract signed between the Company and Mr. Cui for services as a Director. However, Mr. Cui has entered into an executive service contract with the Group with no fixed period of service. The appointment of Mr. Cui as an executive Director has no specific term but is subject to retirement from office and re-election at the next general meeting of the Company in accordance with the articles of association of the Company. Mr. Cui is currently entitled to a remuneration comprising an annual salary of RMB2,870,000, out of which RMB1,250,000 is a discretionary salary which will be paid with reference to the performance of Mr. Cui. He is also entitled to a discretionary bonus to be determined by the Company having regard to the operating results of the Group.

Save as disclosed above, as at the Latest Practicable Date, Mr. Cui (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any other interest in the Shares within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years nor other major appointments and professional qualifications; and (iv) does not hold any other positions with other members of the Group.

Save as disclosed above, Mr. Cui has confirmed that there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

遠洋集團
SINO-OCEAN GROUP

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Sino-Ocean Group Holding Limited (the "**Company**") will be held at Meeting Room, 31st Floor, Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC on Wednesday, 17 March 2021 at 9:30 a.m. for the following purposes. Capitalised terms used herein have the same meanings as those defined in the circular (the "**Circular**") of the Company dated 24 February 2021.

Purposes of the EGM

1. To provide the forum and opportunity for the Shareholders to ask questions and express their comments in connection with the Investment, the First Call Option and the Second Call Option.

   Background

   In December 2020, the Company entered into the Agreements in connection with the Investment, the First Call Option and the Second Call Option.

   The principal terms of Investment, the First Call Option and the Second Call Option are set out in the Circular.

   As explained under the section headed "Listing Rules Implications — Waivers from strict compliance with Rule 14.34(2), Rule 14.40 and Rule 14.49 of the Listing Rules" in the letter from the Board of the Circular, the Agreements were not entered into conditional upon Shareholders' approval.

   As such, no resolutions relating to the Investment, the First Call Option and the Second Call Option will be proposed at the EGM.

2. To re-elect Mr. Cui Hongjie, the retiring Director, and authorise the Board to fix his remuneration.

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

24 February 2021

Sino-Ocean Group Holding Limited
(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

Stock Code : 03377

Notes:

(a) The register of members of the Company will be closed from Monday, 15 March 2021 to Wednesday, 17 March 2021 (both dates inclusive), during which period no transfer of shares in the Company can be registered. In order to be entitled to attend and vote at the EGM, 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 at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 12 March 2021.

(b) Any Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting (i.e., not later than 9:30 a.m. on Monday, 15 March 2021 (Hong Kong Time)), or any adjourned meeting.

(c) As at the date of this notice, the Board comprises of three executive Directors, namely, Mr. Li Ming, Mr. Wang Honghui and Mr. Cui Hongjie; four non-executive Directors, namely, Mr. Zhao Peng, Mr. Fu Fei, Mr. Hou Jun and Ms. Li Liling; and five independent non-executive Directors, namely, Mr. Han Xiaojing, Mr. Suen Man Tak, Mr. Wang Zhifeng, Mr. Jin Qingjun and Ms. Lam Sin Lai Judy.