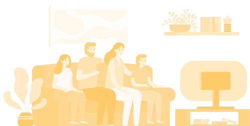
遠洋服務
SINO-OCEAN SERVICE

SINO-OCEAN SERVICE

2020 Annual Report



Being Understanding and Innovative

遠洋服務控股有限公司
Sino-Ocean Service Holding Limited
(Incorporated in the Cayman Islands with limited liability) Stock Code:6677

Being Understanding and Innovative

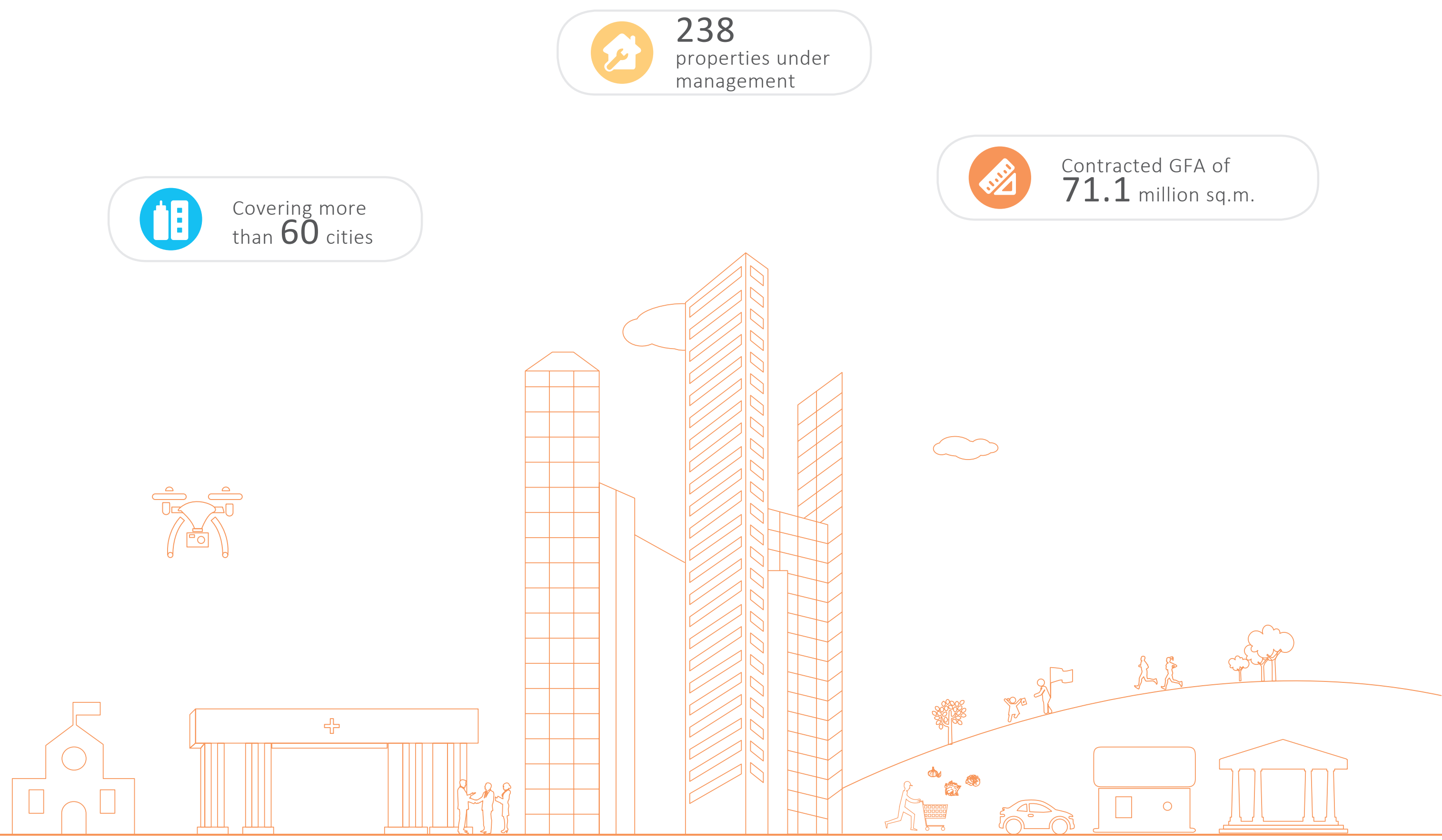
Content

CORPORATE OVERVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. According to China Index Academy, we ranked 13th and 11th among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively, and are recognized as one of the eight 2020 Excellent Property Management Companies for Commercial Property Management.

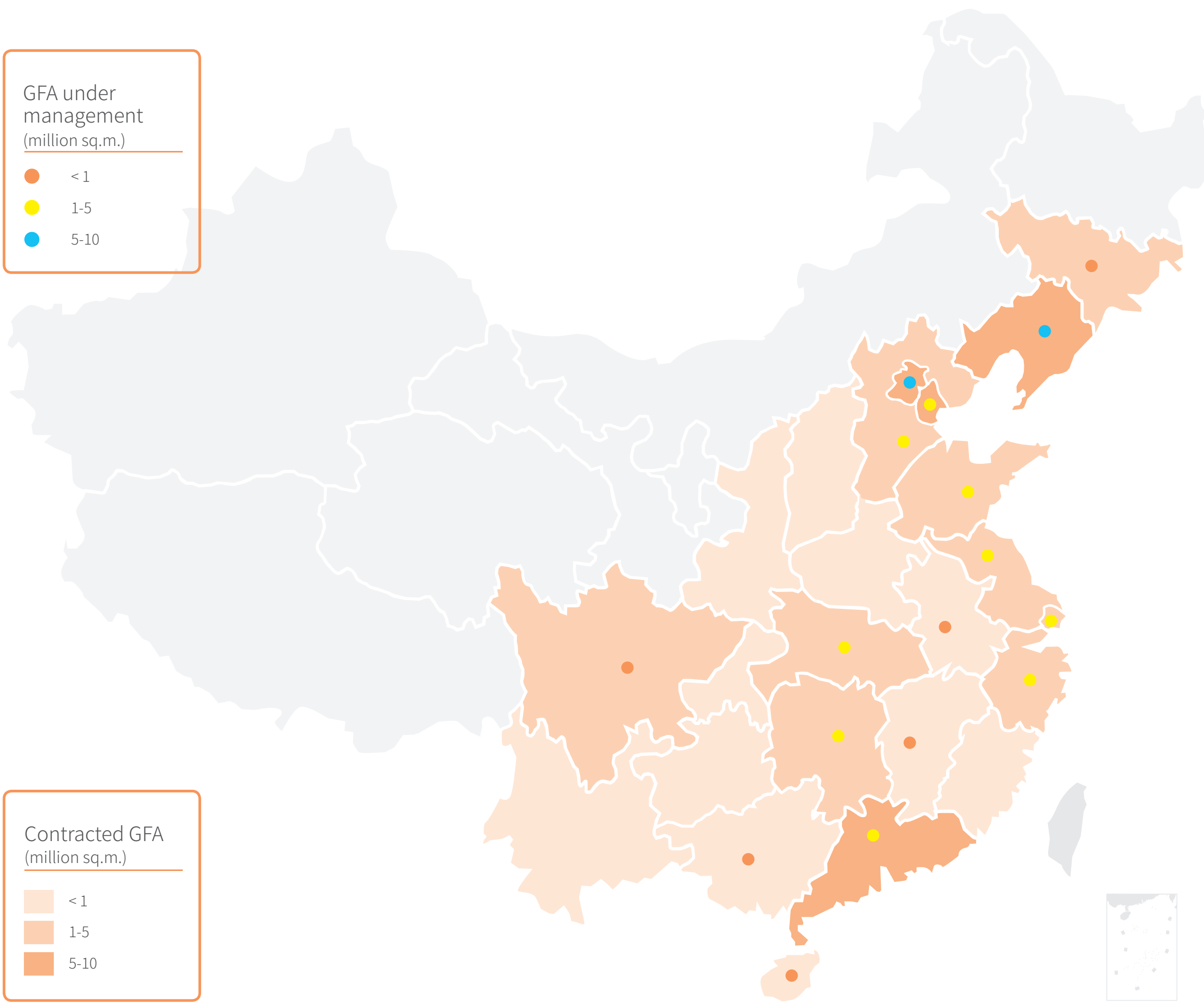
Our history can be traced back to 1997 when we commenced property management services with an initial focus on properties developed by Sino-Ocean Group Holding Limited, a leading comprehensive property developer in China, and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 03377). Since then, we have expanded our geographic coverage from the Beijing-Tianjin-Hebei region to the Bohai Rim region and other regions across China, with a focus on first-tier and second-tier cities in China. Headquartered in Beijing, we had 185 subsidiaries and branch offices across 24 provinces, municipalities and autonomous regions in China as at 31 December 2020.

As of 31 December 2020, our total contracted GFA reached 71.1 million sq.m., covering 62 cities across 24 provinces, municipalities and autonomous regions in China, and we managed 238 properties in China with a total GFA under management of 45.5 million sq.m., including 184 residential communities and 54 non-residential properties. Our property management services cover a wide range of property types, including residential communities, commercial properties (such as office buildings, shopping malls and hotels) and public and other properties (such as hospitals, public service facilities, government buildings and schools). In addition to property management services, we provide value-added services to non-property owners, including pre-delivery services, consultancy services and property engineering services to property developers and other property management companies, and a variety of community value-added services to property owners and residents of the properties under our management, including community asset value-added services, community living services and property brokerage services.



Geographic Coverage

The map below illustrates the geographic coverage of the properties under our management as at 31 December 2020 in terms of (i) GFA under management; and (ii) contracted GFA, respectively, and the cities in China where our contracted and properties under management are located:



Beijing-Tianjin-Hebei

Beijing
Tianjin
Shijiazhuang
Qinhuangdao
Langfang
Tangshan
Hengshui

Bohai Rim

Dalian	Linyi
Changchun	Lianyungang
Shenyang	Taiyuan
Qingdao	Fushun
Jinan	Songyuan
Yantai	Tieling

Eastern China

Shanghai	Jiaxing
Hangzhou	Chuzhou
Nanjing	Wuhu
Suzhou	Shaoxing
Wuxi	Huzhou
Wenzhou	Zhenjiang
Nantong	Yangzhou

Southern China

Zhongshan	Maoming
Shenzhen	Zhanjiang
Guangzhou	Zhangzhou
Xiamen	Nanning
Fuzhou	Huizhou
Foshan	
Sanya	
Haikou	

Central and Western China

Changsha	Kunming
Wuhan	Guiyang
Hefei	Yongzhou
Zhengzhou	Huaihua
Nanchang	Xiangtan
Chengdu	Hengyang
Chongqing	Ganzhou
Xi'an	Huangshi

CORPORATE INFORMATION

Directors

Executive Directors

Mr. YANG Deyong (Joint Chairman and Chief Executive Officer)[1]

Ms. ZHU Geying[1]

Non-executive Directors

Mr. CUI Hongjie (Joint Chairman)[1]

Mr. ZHU Xiaoxing[2]

Independent Non-executive Directors

Dr. GUO Jie[3]

Dr. XUE Jun[3]

Mr. ZHU Lin[3]

Audit Committee

Mr. ZHU Lin (Chairman)[3]

Mr. CUI Hongjie[3]

Mr. ZHU Xiaoxing[3]

Dr. GUO Jie[3]

Dr. XUE Jun[3]

Nomination Committee

Mr. YANG Deyong (Chairman)[3]

Mr. CUI Hongjie[3]

Dr. GUO Jie[3]

Dr. XUE Jun[3]

Mr. ZHU Lin[3]

Remuneration Committee

Dr. XUE Jun (Chairman)[3]

Mr. YANG Deyong[3]

Dr. GUO Jie[3]

Company Secretary

Mr. CHUNG Kai Cheong[1]

Authorized Representatives

Mr. YANG Deyong[1]

Mr. CHUNG Kai Cheong[1]

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business

Headquarters in the PRC
2nd Floor, Tower A
No. A518 East Road of
Chaoyang Sports Center
Chaoyang District
Beijing, PRC

Suite 601,One Pacific Place
88 Queensway
Hong Kong

Notes:

(1) Appointed on 1 September 2020.

(2) Appointed as a Director on 15 April 2020 and re-designated as a Non-executive Director on 1 September 2020.

(3) Appointed on 25 November 2020.

Principal Bankers

(in alphabetical order)

Agricultural Bank of China, Ltd.

Bank of China (Hong Kong) Limited

Bank of China Limited

China Everbright Bank Co., Ltd.

China Merchants Bank Co., Ltd.

China Minsheng Banking Corp., Ltd.

Mizuho Bank, Ltd.

Shanghai Pudong Development Bank Co., Ltd.

The Hongkong and Shanghai Banking Corporation Limited

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisor

Norton Rose Fulbright Hong Kong

Compliance Advisor

Somerley Capital Limited

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited

Stock Code: 06677

Company Website

http://www.sinooceanservice.com

Investor Relations Contact

ir@sinooceanservice.com

FINANCIAL AND OPERATIONAL SUMMARY

CONSOLIDATED RESULTS

(RMB million)	2020	2019	Changes
Revenue	2,023	1,830	11%
Gross profit	511	377	36%
Gross profit margin (%)	25.3%	20.6%	4.7 pts
Profit for the year	263	205	28%
Net profit margin (%)	13.0%	11.2%	1.8 pts
Profit attributable to owners of the Company	258	207	25%
Core profit	250	173	44%
Core profit margin (%)	12.4%	9.5%	2.9 pts
Basic and diluted earnings per share (RMB)	0.29	0.23	26%
Proposed dividend per share (RMB)	0.055	–	N/A

CONSOLIDATED FINANCIAL POSITION

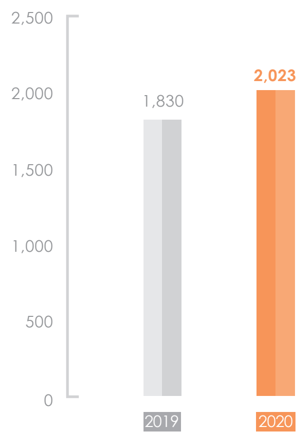
(RMB million)	2020	2019	Changes
Total assets	3,092	4,157	-26%
Total equity	2,051	440	366%
Equity attributable to owners of the Company	2,028	418	385%
Cash resources[1]	2,175	424	413%
Net gearing ratio (%)[2]	N/A	483%	N/A
Current ratio (times)	2.7	0.7	286%

Notes:

1. Including the restricted bank deposits
2. Total borrowings and lease liabilities less cash resources divided by total equity

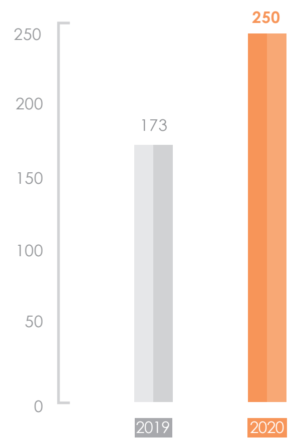
Revenue

(RMB million)



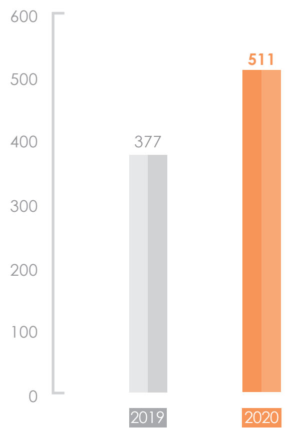
Core profit

(RMB million)



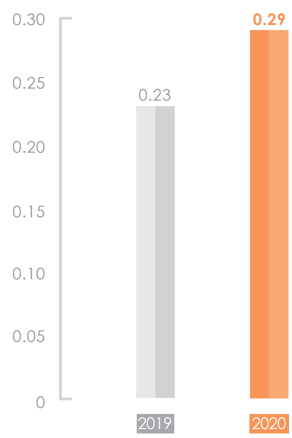
Gross profit

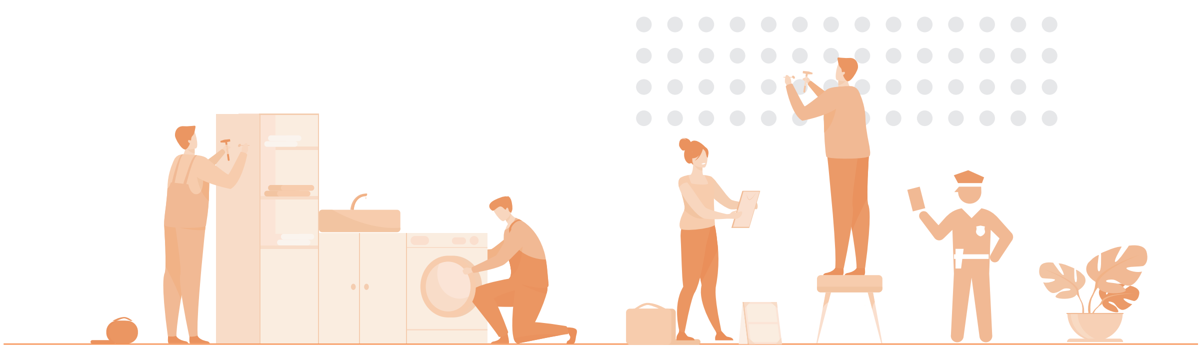
(RMB million)



Basic earnings per share

(RMB)





MAJOR EVENTS

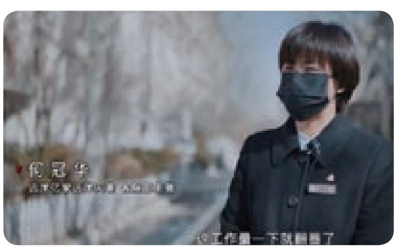
2020

2020/3

An independent "value-added business department" was established and began to develop the value-added services as one of the principal businesses of the Group.

2020/4

The Group's contribution in the fight of the COVID-19 epidemic was being recorded in CCTV's documentary show "Property Hero". In times of the epidemic, we are the warrior who protects thousands of families; in ordinary days, we are the steward who ensures the lifestyle of property owners.



2020/6

50% equity interest in Chengdu Qianhao Property Service Co., Ltd. was acquired; 50% equity interest in Beijing Indigo Property Services Co., Ltd. was acquired.

2020/8

Held a strategic cooperation agreement signing ceremony with Sino-Ocean Group, Huazhu and Chengjia in Shanghai, and announced that each party will give full play to its respective advantages within its principal business. In-depth cooperation will be carried out in six aspects: hotel and apartment business, real estate investment trust funds, customer sharing, business trips, sales of residential units and property management services. Also, we entered into a strategic cooperation agreement with Sino-Ocean Capital to provide customized property management services for its real estate projects.

2020/9

The training camp for new employees in 2020 was launched to carry out multiple empowerments through systematic and all-round trainings.

2020/12

The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 06677.HK).

- July: Community Resource Management System
- August: Launch of Smart POS
- September: Launch of Reporting System
- October: Launch of E-HR
- December: Launch of the Official Website of Sino-Ocean Service
- December: Launch of Smart Home
- December: Launch of NCC System

For the year ended 31 December 2020, the full-business reporting system, electronic human resource ("E-HR") system, Yonyou NC Cloud ("NCC") system, smart home system, community resource management system and smart payment system have officially commenced operation successively, empowering the three dimensions of operation, community and property owners. The big data platform and service platform of the Group have achieved breakthrough upgrades.

AWARDS AND HONORS

2020 Top 100 Property Management Companies in China

2020 Top 100 Property Management Companies in China in terms of Growth Potential

2020 Top 100 Most Valuable Brand of Property Management Service

2020 Potential Unicorn of Property Management Service

2020 China Property Management Industry Demonstration Site –
Ocean International Center (Beijing)

2020 China Property Management Industry Demonstration Site –
Ocean Landscape Eastern Area (Beijing)

2020 Excellent Property Management Companies in China in terms of Commercial Property Management Services

2020 Top 10 Most Valuable Brand of Property Management Service in Northern China

5-star rating for Commercial Properties in China

2020 Top 20 Most Satisfactory Enterprise in Epidemic Prevention

Model Company of China Service

2020 Excellent Service Enterprise

CHAIRMAN'S STATEMENT

On behalf of our board of directors (the "Board"), I have the pleasure in presenting the annual results of Sino-Ocean Service Holding Limited ("Sino-Ocean Service" or the "Company") and its subsidiaries (together referred to as "our Group", the "Group" or "We") for the twelve months ended 31 December 2020.

Sino-Ocean Service is a mid- to high-end comprehensive property management service provider carefully nurtured and created by Sino-Ocean Group Holding Limited (together with its subsidiaries "Sino-Ocean Group"). Established in 1997, our vision is to 'become a branded superior integrated property management service provider in China'. We focus on raising service standards and operation quality, encouraging all staff members to provide services to customers' entire satisfaction, creating sound return to shareholders, building a stage for career advancement and the necessary value for society. After 23 years of hard-work Sino-Ocean Service has established its own status and influence in the property management services industry in China. According to China Index Academy, Sino-Ocean Service ranked 13th and 11th in terms of overall strength and growth potential among The Top 100 Property Management Companies in China in 2019, and was also recognized as one of the eight 2020 Excellent Property Management Companies for Commercial Property Management.

Sino-Ocean Service was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 December 2020 (the "Listing") gaining recognition from the international capital market of its business model, competitive edge and development prospects. The initial public offering also brought significant changes for the Group: firstly the Company received blessing from the capital market on its capital, brand and credit, adding strength in business expansion and mergers and acquisitions, and boosting GFA under management and profitability. Secondly it provides additional equity and financing channels, and more flexible capital maneuvering to support the Company's independent business development. Thirdly, a solid management mechanism and sound governance will be set up as Sino-Ocean Service evolves into a group. We will take advantage of all these benefits, grasp opportunities in a fast-moving environment and strive assiduously to make our dream a reality.

In pursuing rapid expansion, we will remain true to our original aspiration and the very foundation of our development. Firstly, going public is a catalyst for Sino-Ocean Service. It permanently places operation management in the very core position, and elevates its quality and standard to create value for shareholders and investors. Secondly, customer service is Sino-Ocean Service's permanent principal business. We keep our focus squarely on customers and build other businesses tightly around providing services to their entire satisfaction. Thirdly, our core competitive edge is our staff, on whom we rely closely. We spare no efforts in enhancing their caliber, professional capacity and remuneration, providing a stage for career advancement and fulfilling their pursuit of a good life.

Market review and outlook

Driven by increasing spending on services, transformation of the industry and urbanization, property management business in our opinion is in prime time. The industry is hitting a high point in terms of talents and strategic attention. Trust between property owners and service providers is becoming stronger and demand for services becomes more eager. Technology empowerment is also more visible. Owners have an appetite for value-added services and are more willing to pay for them. Ten ministries including the Ministry of Housing and Urban-Rural Development released the 'Notice on strengthening and improving the management of residential property'. This policy facilitates outsourcing to third-party, expands the market, assures the significance of the industry among the fundamentals and the market-oriented direction. It also provides support for pricing mechanism, multi-faceted operations, technology augmentation and application of maintenance funds. There is a high certainty for rapid growth in the medium term and enormous potential for long term expansion.

A new window is forthcoming as the industry is rapidly consolidating and a higher degree of concentration is foreseeable. Looking ahead, as the business scope of property management companies continues to expand, market expansion capabilities and channels enlarge, and industry consolidates with the help of capital, branded enterprises' competitive edge will be even more apparent. Excellent service and leading brands will win owners' recognition and satisfaction and subsequently wider scope for development. In the past year there was a wave of property services listings. In view of the industry's light asset nature, high probability of growth and backing by policies, the capital market is showing considerable recognition. Property management companies will take advantage of the capital market to widen financing channels, drive exponential growth and lay a solid base for the billion level market.

Result review and strategies

• 2020 results

For the year ended 31 December 2020, the Group's revenue was approximately RMB2,023.3 million, representing an increase of 10.6% as compared to that in 2019. Gross profit was approximately RMB511.3 million, up 35.7% year-on-year. Profit for the year was approximately RMB262.6 million, up 27.9% from 2019. Gross profit margin was 25.3%, increased by 4.7 percentage points as compared to 2019. Net profit margin was 13.0%, 1.8 percentage points higher than that of 2019. Profits attributable to owners of the Company rose from approximately RMB206.5 million in 2019 to approximately RMB257.6 million, representing a growth of approximately 24.7%. Basic earnings per share was RMB0.29, up approximately 26.1%. The Group's net cash from operating activities reached RMB361.4 million. The Board is pleased to propose a final dividend of RMB0.055 per share for the year ended 31 December 2020.

As at 31 December 2020, the Group's GFA under management and contracted GFA were 45.5 million sq.m. and 71.1 million sq.m., rose by 12.1% and 19.7% respectively compared to 31 December 2019. Growth in contracted GFA was considerably higher than that of GFA under management, increasing the reserved GFA that will turn into GFA under management and ensuring future growth. Cumulative contracted GFA from third-parties (including contribution from merger and acquisition) reached 23.4 million sq.m., up 65.0% as compared to 31 December 2019, representing 32.9% of total contracted GFA.

• Maintained a high level of strategic planning and execution competency, determined to become a leading comprehensive property management service provider in China

It was a landmark year for the Group's history in 2020. During the year, the Group first implemented new strategies across the board. We established the vision of 'becoming a leading comprehensive property management service provider in China', followed the belief of 'serving customers with an artisan's spirit' to achieve the mission of 'creating urban healthy living' and built a sincere, meticulous, innovative and efficient enterprise mindset. We were intent on building the 'Sino-Ocean Service' brand and its influence around good life, asset value and enterprise-standard services. We delved deeply into owners' needs, crafted a five-star 'being understanding and innovative' lifestyle service system for residential occupants, a 'more than professional and attentive' service system for commercial customers. We entered a new stage of development.

• Penetrated established regions, expanded through multi-channels, developed diverse businesses

We focused on regions that enjoyed a thriving economy and a bright prospect, taking full advantage of our scale in the Beijing-Tianjin-Hebei and Bohai Rim region, penetrated the property management service in five major regions in our plan (Beijing-Tianjin-Hebei region, Bohai-Rim region, Eastern China region, Southern China region, Central and Western China region), and searched for suitable projects with potential for high caliber growth. To build inner strength, established channel to eliminate information bottlenecks, we pre-deploy development teams, enhance expansion intensity. We also rolled out a high target-oriented incentive mechanism to encourage staff to arrange work priorities, and achieve ahead project selection and completion, by continuously improve and strengthen market expansion capabilities through special guidance to achieve highly efficient and high-quality growth scale. In 2020, we scoured ceaselessly for new outlets and broke new grounds in large projects such as head-quarter premises and highway service stations. We also worked with local transportation groups and the Tourism and Cultural Development Bureau and added contracted GFA of 9.1 million sq.m. including schools, hospitals, scenic spots and industrial parks to our portfolio, exceeding our performance target for the year and demonstrating our capabilities in expansion and diversification.

We used our close business relationships with Sino-Ocean Group and their substantial shareholders, China Life Insurance (Group) Company (“China Life”) and Dajia Insurance Group Co., Ltd. (“Dajia Insurance”) as leverage to help grow GFA under management. On 24 February 2021, we signed a strategic cooperation agreement with China Life to cooperate on the principles of ‘sharing resources, complementing each other’s advantages, mutual benefits and cooperating to grow’ with the objective of advancing our partnership in capital linkage, financial products, insurance, real estate, property management and senior living. The agreement stipulated that both parties will use their own resources to promote cooperation in property management. In 2020, we began to provide management services to properties of Dajia Insurance and its subsidiaries including their head-quarters. At the same time, we are strongly supported by our partner, Sino-Ocean Capital Limited (“Sino-Ocean Capital”). On 21 August 2020, we signed a strategic cooperation agreement with Sino-Ocean Capital to provide customized property management services to its real estate projects, including commercial properties, industrial parks, logistic centers and data centers with an additional contracted GFA of no less than approximately 2.0 million sq.m. each year. In addition, on 21 August 2020, we signed a strategic cooperation agreement with Sino-Ocean Holding Group (China) Limited, Huazhu Enterprise Management Co., Ltd. (a leading hotel operator in the PRC) and Chengjia Hotel Management Co., Ltd. (a service apartment operator in the PRC) for us to provide management services to their properties.

• Took advantage of our commercial properties space operation to augment competitiveness

In 2020, our commercial properties sector enjoyed sturdy growth with a CAGR of approximately 31% for contracted GFA for management. This sector has a distinct advantage as the projects are located in clusters mainly in first-tier and major second-tier cities such as Beijing, Tianjin, Hangzhou and Chengdu. We possess international standard mid- to high-end service capabilities and cross-business management capabilities. We are experienced in managing landmark retail and office buildings including urban complexes, stand-alone retail and office buildings, office blocks, apartments, public facilities and industrial parks. We commanded a relatively high management fee for retail and office space, targeted high-end customers many of which are from the global top 500 and foreign and domestic listed companies including Dajia Insurance, Momo and Cernet.

Through service upgrade and branding, we boosted customer loyalty and reinforced sustainable growth. We studied diligently the cities we were going to enter and those entered and actively acquired retail and office business, to build product strength, operation efficiency and asset management capacity both up and down stream. We continued to cultivate new value-added services, such as re-location, refurbishing, out-sourcing of administrative work, safe-keeping and transportation of equipment, to enhance our competitiveness.

• Enriched service content, expanded community value-added services

We used our solid business capabilities and streamlined management in pursuit of excellent service delivery, focusing firmly on owners’ daily needs. We encouraged standardization of services, enrichment of their content and extension of reach. We set up an incentive mechanism for value-added businesses which will be assessed and awarded according to results. In 2020 income from community value-added services was approximately RMB316.2 million, up RMB78.9 million from 2019, or 33.2% year-on-year. We provided diverse services to owners to satisfy their practical needs. After sifting through our inventory, we raised occupancy rates of car parks and vacant units to increase both occupancy and charging rates. We built a professional team and a business system to service property transactions and leasing brokerage, focusing on prime regions to establish the business. As regards home improvement, we focused on new projects and proposed home furnishing packages according to owners’ needs, and to promote business transformation. For community services, we consolidated the product and service supply chain and by combining on-line and off-line measures, drove the business to take root and transform via a asset-light operation. Meanwhile, we rapidly pushed forward intermediary, repair and maintenance, and pre-delivery services with a view to strengthening coordination of residential development delivery and supporting Sino-Ocean Group’s principal business to be even more competitive.

• Technology empowerment and management standardization helped raise customers' satisfaction

Empowered by technology and systems, we built various digital systems internally for the management of customer relations, business processes, finance, reporting, repair and maintenance, and engineering matters. We carried out big data analysis of the overall operation of properties under management, to identify customers' needs and behavior, with a view to setting up service procedures and business strategies and ultimately owners' experience. We built digitized operation capacity for external intelligent service platforms, like 'Yi Butler', 'Yi Life', 'Yi Maintenance' and 'Yi Space' and the electronic building automation system, enabling an environment for intelligent property management among owners, tenants, other customers and business partners.

We continued to optimize the standardized management system of property management, strengthen customer relations and reinforce basic service capabilities. We examined our frontline service activities thoroughly to set up clear standards enabling effects to be measurable, to assess accurately customers' experience, interaction and perception. We formulated service standard specifications from the users' angle to enable easier understanding, execution and appraisal of these standards, optimize customers' experience and allow service to be valued. We emphasized on customer relations, adjusted frontline staff's mode of management, appraisal standards and allocation mechanism, directed frontline personnel to take customer relations seriously and encouraged them to be proactive to raise customers' satisfaction.

• Innovative incentive mechanism to encourage staff to be proactive

We paid attention to staff incentives, innovative work appraisal and allocation mechanism and fully encouraged staff to be proactive. We cared about the result and quality of customer service. Through setting up proper customer reviews and satisfaction targets, we established a performance appraisal system based on level of satisfaction. Frontline staff's work appraisal and income allocation will be directly linked to achieving the satisfaction level. The objective is to encourage frontline staff to maintain good customer relations, drive self-motivation and enhance project operation. We set up a mid- to long-term incentive mechanism for core staff by offering options, equity and excess profit sharing, building a union between core staff and the Group that will share both rewards and responsibilities.

Since the global outbreak of 2019 Novel Coronavirus at the beginning of 2020, the entire country has been united in fighting the pandemic. The Group is in unity to overcome the challenges brought on by the pandemic. Together with other superb workers in property management industry, we provided frontline defence for communities and were deeply involved with their governance. Modern service systems became a powerful force in fighting the virus and owners came to realize that property management service is absolutely essential and indispensable. During the pandemic, the preventive measures safeguarded their safety and were met with considerable recognition.

Appreciation

On behalf of the Board, I would like to extend my deepest gratitude to all Shareholders, investors, the central authority, local authorities, business partners and customers who have been most supportive; also to our directors, management and the entire staff for their dedicated hard work. Our sustainable and stable development could not be achieved without their unreserved support.

YANG Deyong

Joint Chairman

Hong Kong, 19 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

A discussion and analysis of Sino-Ocean Service Holding Limited ("Sino-Ocean Service" or the "Company") and its subsidiaries (together referred to as "our Group", the "Group" or "We") for the year ended 31 December 2020 is set out below:

BUSINESS REVIEW

Business overview

Our services include three main business lines: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners, which form an integrated service offering to our customers along the value chain of property management.

Property management services

We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening and repair and maintenance services.

Our property management portfolio covers both residential and non-residential properties including commercial properties (such as office buildings, shopping malls and hotels) and public and other properties (such as hospitals, public service facilities, government buildings and schools).

During the year ended 31 December 2020, we charged property management fees for property management services substantially on a lump sum basis, with a small portion charged on a commission basis.

Community value-added services

In 2020, the Group continued to provide community value-added services to property owners and residents of our managed properties to address their lifestyle and daily needs which mainly include:

i) community asset value-added services such as carpark management, utility management and community space operation services;

ii) community living services such as home decoration services, purchase assistance, turnkey furnishing and move-in services, housekeeping as well as other bespoken services; and

iii) property brokerage services.

Value-added services to non-property owners

We provide value-added services to non-property owners, including:

i) pre-delivery services to property developers to assist with their sales and marketing activities at property sales venues and display units;

ii) consultancy services to assist with the overall planning and management of pre-sale activities; and

iii) property engineering services.

MANAGEMENT DISCUSSION AND ANALYSIS

Property management services

Insist on rapid development and achieve rapid growth of contracted GFA and GFA under management through multiple drivers. As of 31 December 2020, our contracted GFA was approximately 71.1 million sq.m., and GFA under management was approximately 45.5 million sq.m., representing an increase of approximately 19.7% and 12.1% respectively as compared to 31 December 2019. Our reserved GFA, as the main source of the GFA under management, reached a new high of 25.6 million sq.m., representing an increase of 35.4% compared with 18.9 million sq.m. as of 31 December 2019, or a net increase of 6.7 million sq.m., laying a solid foundation for the stable growth of the Group.

Focus on diversified business lines in first-and second-tier cities, the advantages of high-end commercial properties are prominent. We manage a variety of properties, including residential and non-residential properties. We have accumulated profound experience in managing non-residential properties, including office buildings, commercial buildings, urban complexes, public properties, office towers, industrial parks, etc., with mature cross-business service capabilities. In particular, we have gained rich property management experience in the field of high-end commercial and office buildings, such as the service experience in benchmark projects including Ocean International Center (Beijing), INDIGO (Beijing), Sino-Ocean Taikoo Li Chengdu (Chengdu), Grand Canal Place (Hangzhou), etc. In 2020, the average property management fees of our commercial properties reached RMB17.6/sq.m./month, far higher than the industry average. At the same time, our commercial properties are mainly located in first-and second-tier cities such as Beijing, Tianjin, Hangzhou and Chengdu, covering the Beijing-Tianjin-Hebei region, Bohai Rim region and other regions in China, which provided a good foundation for us to demonstrate our economies of scale and optimize our service quality.

Collaborating with shareholders, we gain high-quality project resources. In 2020, we have utilized resources of shareholders in gaining the Beijing headquarters of Dajia Insurance project, and at the same time seized market opportunities to obtain more businesses in the non-residential market, such as expressway service stations and scenic tourist spots.

The table below sets forth the breakdown of our GFA under management on the dates indicated and revenue from property management services by property type for the years ended 31 December 2020 and 2019:

	As at 31 December or for the years ended 31 December					
	2020			2019		
	GFA under management '000 sq.m.	Revenue RMB'000	%	GFA under management '000 sq.m.	Revenue RMB'000	%
Residential communities	39,171	886,876	66.2	36,359	818,004	67.1
Non-residential properties						
– Commercial properties	2,549	360,483	26.9	2,415	335,908	27.5
– Public and other properties	3,730	91,897	6.9	1,755	65,729	5.4
Total	45,450	1,339,256	100.0	40,529	1,219,641	100.0

Drive the increase with existing projects, continue to tap the potential scale of independent markets. While receiving strong support from Sino-Ocean Group Holding Limited ("Sino-Ocean", together with its subsidiaries, "Sino-Ocean Group"), we are also actively working towards the open market in diversified ways. We will take the projects we have already obtained as the starting point and continue to penetrate into the local region, so as to achieve the expansion of the scale of GFA under management and the density increase of projects in the local cities. We have gained our market share by expanding resources to independent markets by participating in the bidding processes for their development projects. In 2020, we have obtained the management right of some first-hand projects externally with 9.1 million sq.m. contracted GFA newly added, representing an increase of 1,063% as compared to that of 2019.

The table below sets forth the breakdown of our GFA under management on the dates indicated and revenue from property management services by the source of the projects for the years ended 31 December 2020 and 2019:

	As at 31 December or for the years ended 31 December							
	2020				2019			
	GFA under management '000 sq.m.	%	Revenue RMB'000	%	GFA under management '000 sq.m.	%	Revenue RMB'000	%
Properties developed/ owned by the Sino-Ocean Group (including its joint ventures and associates)	32,030	70.5	1,049,709	78.4	29,375	72.5	993,927	81.5
Properties developed/owned by other third parties[1]	13,420	29.5	289,547	21.6	11,154	27.5	225,714	18.5
Total	45,450	100.0	1,339,256	100.0	40,529	100.0	1,219,641	100.0

Note:

1) Refers to property developers other than Sino-Ocean Group (including its joint ventures and associates); and property owners of certain public and other properties other than Sino-Ocean Group.

Our projects cover 62 cities across 24 provinces, municipalities and autonomous regions in China as of 31 December 2020. Our geographical coverage has expanded from the Beijing-Tianjin-Hebei region to the Bohai Rim region and other regions of China, covering 5 major city clusters in China. The regional planning is concentrated in core first-and second-tier cities, and the proportionate share of GFA under management in the first-and second-tier cities reached 90.7%. We have significant advantages in Beijing-Tianjin-Hebei region and Bohai Rim region. At the same time, following 'the south and west' strategy of Sino-Ocean Group, we have gradually increased the proportionate share of GFA under management in Eastern China, Southern China, Central and Western China region. Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China, Southern China and Central and Western China region accounted for 30.5%, 29.8%, 14.7%, 14.1% and 10.9% of our GFA under management as at 31 December 2020.

The table below sets forth a breakdown of our contracted GFA, GFA under management by geographic location on the dates indicated and revenue generated from property management services for the years ended 31 December 2020 and 2019 respectively:

	As at 31 December or for the years ended 31 December							
	2020				2019			
	Contracted GFA '000 sq.m.	GFA under management '000 sq.m.	Revenue RMB'000	%	Contracted GFA '000 sq.m.	GFA under management '000 sq.m.	Revenue RMB'000	%
Beijing-Tianjin-Hebei region[1]	19,279	13,869	574,571	42.9	17,815	13,585	546,364	44.8
Bohai Rim region[2]	17,936	13,542	295,194	22.1	14,277	11,782	270,308	22.2
Eastern China region[3]	10,149	6,679	233,033	17.4	9,555	6,079	209,532	17.2
Southern China region[4]	12,090	6,420	159,614	11.9	8,723	4,847	132,269	10.8
Central and Western China region[5]	11,629	4,940	76,844	5.7	9,034	4,236	61,168	5.0
Total	71,083	45,450	1,339,256	100.0	59,404	40,529	1,219,641	100.0

Note:

1) "Beijing-Tianjin-Hebei region" refers to cities or municipalities including Beijing, Tianjin, Shijiazhuang, Qinhuangdao, Langfang, etc.

2) "Bohai Rim region" refers to cities including Dalian, Changchun, Shenyang, Qingdao, Jinan, Yantai, etc.

3) "Eastern China region" refers to cities or municipalities including Shanghai, Hangzhou, Nanjing, Suzhou, Wuxi, Wenzhou, Nantong, Jiaxing, Chuzhou, etc.

4) "Southern China region" refers to cities including Zhongshan, Shenzhen, Guangzhou, Xiamen, Fuzhou, Foshan, Sanya, Haikou, etc.

5) "Central and Western China region" refers to cities or municipalities including Changsha, Wuhan, Hefei, Zhengzhou, Nanchang, Chengdu, Chongqing, Xi'an, Kunming, Guiyang, etc.

According to the city classification by China Business Network in 2020, the table below sets out the contracted GFA and GFA under management in different city-tiers where our projects are mainly located in as at 31 December 2020:

	Contracted GFA '000 sq.m.	%	GFA under management '000 sq.m.	%
First-tier cities[1]	13,030	18.3	10,771	23.7
New first-tier cities[2]	26,539	37.3	15,337	33.7
Second-tier cities[3]	22,312	31.4	15,143	33.3
Other cities	9,202	13.0	4,199	9.3
Total	71,083	100.0	45,450	100.0

Note:

1) First-tier cities include Beijing, Shanghai, Guangzhou and Shenzhen.

2) New first-tier cities include Chengdu, Hangzhou, Chongqing, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Changsha, Zhengzhou, Dongguan, Qingdao, Shenyang, Hefei and Foshan.

3) Second-tier cities include Ningbo, Kunming, Wuxi, Dalian, Fuzhou, Xiamen, Harbin, Jinan, Wenzhou, Nanning, Changchun, Quanzhou, Shijiazhuang, Guiyang, Nanchang, Jinhua, Changzhou, Nantong, Jiaxing, Taiyuan, Xuzhou, Huizhou, Zhuhai, Zhongshan, Taizhou, Yantai, Lanzhou, Shaoxing, Baoding and Langfang.

Seek growth with both quality and efficiency, and steadily raise the charging rates. While we are growing rapidly, we keep following overall increase of high-quality development standards by continuously optimizing our projects under management. The advancement in the charging standards for new projects, and the increase in the charging rates of existing projects under management resulted in an increase our average property management fees. For the years ended 31 December 2020 and 2019, our overall average property management fees was RMB3.63/sq.m./month and RMB3.46/sq.m./month, respectively.

In 2020, the Group has focused on the improvement of service quality by offering high-standard and high-quality property management services based on the needs of owners, creating a good community atmosphere, and therefore continued to improve the loyalty and satisfaction of owners. According to Savi Consulting, an independent researcher focused on real estate customer relationship, the overall satisfaction rate of the Group's property services in 2019 was 86%. In 2020 we maintained this satisfaction rate, which was higher than the industry average. At the same time, the Group advocated a quality management concept that made quality consistent with price. It raised the prices for some key and super-large projects during the year to improve the sustainable development capabilities of existing projects. In terms of third-party expansion, the Group has exerted active efforts to enter provincial capitals and first-and second-tier key cities with good development prospects to develop diverse projects, and increase steadily the average property management fee. During the year, the overall collection rate of property management fees from property owners and residents (excluding projects acquired by mergers and acquisitions), calculated by dividing the aggregate property management fees collected for the year ended 31 December 2020 by the management fee recognized during the corresponding year, the collection rate was as high as 94% (2019: 94%).

The revenue from the property management business of the Group is mainly collected under lump sum basis, accounting for 99.89% (2019: 99.97%) of the revenue from the property management business. The Group adopts the lump sum basis for a majority of its projects to help improve service quality and operational efficiency.

Community value-added services

Our revenue from community value-added services for the year ended 31 December 2020 was approximately RMB316.2 million, an increase of 33.2% year-on-year, accounting for 15.6% of the Group's total revenue, which increased by 2.6 percentage points as compared to the previous year. The following table sets forth the breakdown of our revenue from community value-added services by service type for 2020 and 2019 respectively:

	2020		2019	
	RMB'000	%	RMB'000	%
Community asset value-added services[1]	245,185	77.5	162,847	68.6
Community living services[2]	38,505	12.2	33,782	14.2
Property brokerage services[3]	32,481	10.3	40,662	17.2
Total	316,171	100.0	237,291	100.0

Note:

1) Mainly include carpark management services, utility management services and community space operation services (including publishing advertisement in common areas, leasing community properties and facilities, and common area maintenance services), etc.

2) Mainly include housekeeping and cleaning services, repair and maintenance services of home appliances, electric equipment and permanent fixtures, purchase assistance for groceries and seasonal products, decoration, turnkey furnishing and move-in and other bespoke services.

3) Mainly include sales transactions of self-owned parking spaces, act as an agent in the resale or lease transactions of owner's properties and parking spaces, etc.

Value-added services to non-property owners

Our revenue from value-added services to non-property owners for the year ended 31 December 2020 was approximately RMB367.9 million, a decrease of 1.3% as compared to last year, accounting for 18.2% of the Group's total revenue. The following table sets forth the breakdown of our revenue from value-added services to non-property owners by service type for 2020 and 2019 respectively:

	2020		2019	
	RMB'000	%	RMB'000	%
Pre-delivery services[1]	197,653	53.7	250,442	67.2
Consultancy services[2]	58,605	15.9	61,027	16.4
Property engineering services[3]	111,634	30.4	61,174	16.4
Total	367,892	100.0	372,643	100.0

Note:

1) Mainly represents assistance to property developers for pre-delivery services for their sales and marketing activities at property sales venues and display units, so as to create high-quality service brand for property developers among potential property buyers.

2) Mainly represents consultancy services to property developers at an early stage of their property development on the overall planning of properties and coordination of their relevant pre-sale activities to avoid possible planning defects and reduce development and construction costs as well as operation and management costs at the later stage.

3) Mainly represents property engineering services to property developers and other property management companies, including engineering, greening, gardening, repair and maintenance of residential communities and non-residential properties, equipment operation and maintenance and the upgrade of smart security systems.

Future development plans

- Improving the regional layout: focusing on the core regions, continue to take root in the Beijing-Tianjin-Hebei region and the Bohai Rim region, closely coordinate with Sino-Ocean Group to develop the principal business, and continue to give full play to the Group's advantages of accounting a high proportion in first-and second-tier cities; expand the Eastern and Southern China regions and tap into the core high-value cities to improve the scale effect and market expansion capabilities; strategically make deployment in the Central and Western China region, and gradually establish a firm foothold in this new market through the "endogenous + external expansion + mergers and acquisitions".
- Enriching service models: focusing on principal business, using residential properties as a basis, actively promote service brands in non-residential properties such as commercial enterprise services and urban services, and create a professional service system. For residential services, we will expand the scale of management through collaborating our shareholders' resources, mergers and acquisitions, and the transformation of smart communities. For commercial and enterprise services, we will leverage the Group's existing brand and management experience advantages, to continue to develop and expand its management scale. For urban sanitation, greening, asset services and many other urban services, since the market is still in its infancy and there is still much room to develop, the Group will choose a suitable strategy, including joint venture holding, controlling by small proportion of shareholding and entrusted management to enter into the business.
- Expanding service boundaries: leveraging high-quality property management services as a basis, develop our value-added services to non-property owners and actively expand our community value-added services. For value-added services to non-property owners, the Company will provide full-cycle value-added services to non-property owners on the basis of collaborating our shareholder's resources, and actively develop external expansion to increase the revenue from external customers. For community value-added services, we will deeply explore the needs and resources of property owners to create growth in the community value-added services, thus creating a better life for the community, and enhancing the value of our assets.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2020 increased by 10.6% to RMB2,023.3 million, from RMB1,829.6 million in 2019. Property management services segment remained the largest contributor which accounted for about 66.2% of total revenue.

The following table sets forth the breakdown of our total revenue by business lines for the years ended 31 December 2020 and 2019 respectively:

	2020		2019		Changes
	RMB'000	%	RMB'000	%	%
Property management services	1,339,256	66.2	1,219,641	66.6	9.8
Community value-added services	316,171	15.6	237,291	13.0	33.2
Value-added services to non-property owners	367,892	18.2	372,643	20.4	(1.3)
Total	2,023,319	100.0	1,829,575	100.0	10.6

Revenue from property management services increased by 9.8% to RMB1,339.3 million in 2020 from RMB1,219.6 million in 2019. This increase was mainly attributable to an increase in our GFA under management, which reached 45.5 million sq.m. as at 31 December 2020 and an increase in the number of properties under management, which increased to 238 as at 31 December 2020, as we expanded our business.

Revenue from community value-added services increased by 33.2% to RMB316.2 million in 2020 from RMB237.3 million in 2019. The increase was primarily due to an increase in revenue from community asset value-added services by 50.6% to RMB245.2 million in 2020 from RMB162.8 million in 2019 contributed by the increase in the carpark management area. Such increase was partially offset by the decrease in revenue from property brokerage services by 20.1% since the demand for such value-added services has decreased as affected by the outbreak of 2019 Novel Coronavirus ("COVID-19").

Revenue from value-added services to non-property owners decreased by 1.3% to RMB367.9 million in 2020 from RMB372.6 million in 2019. The decrease was mainly driven by the decrease in revenue from pre-delivery services by 21.0% to RMB197.7 million in 2020 from RMB250.4 million in 2019. The decrease in revenue from pre-delivery services was primarily due to delay in opening of certain sales venues as affected by the COVID-19 outbreak. Such decrease is partially offset by an increase in revenue from property engineering services by 82.4% to RMB111.6 million in 2020 from RMB61.2 million in 2019.

Cost of sales

Cost of sales increased by 4.1% to RMB1,512.0 million for the year ended 31 December 2020 from RMB1,452.9 million for the year ended 31 December 2019. This increase was mainly attributable to an increase in cost of sales for property management services and community asset value-added services, partially offset by a decrease in cost of sales for value-added services to non-property owners.

During the year, as affected by the outbreak of COVID-19, the cost of consumables and raw materials increased by RMB16.0 million or 28.7%, which was mainly due to the additional procurement costs for protective supplies such as masks, gloves and disinfectant for our property management staff. Our maintenance expenses related to our provision of services has increased by RMB17.7 million or 12.6%, which is in line with our increased properties under management. The increase in cost of sales was partially offset by a decrease in staff cost by RMB11.5 million since (i) we were entitled to certain exemptions from contributions of social insurance primarily in relation to the pension plans by the local governments in response to the outbreak of COVID-19 and (ii) we strengthened our cost control by optimizing the allocation of labor.

Gross profit and gross profit margin

Gross profit increased by 35.7% to RMB511.3 million for the year ended 31 December 2020 from RMB376.7 million for the year ended 31 December 2019. Our overall gross profit margin increased to 25.3% for the year ended 31 December 2020 from 20.6% for the year ended 31 December 2019 primarily due to the increased contribution in revenue by community value-added services which recorded a higher gross profit margin and the increase in gross profit margins for all three business lines since we had a lesser increase in cost of sales than revenue which was attributable to our efforts in cost control and decrease in staff cost.

Gross profit and gross profit margin of the Group by business lines were as follows:

	2020		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%
Property management services	239,638	17.9	167,162	13.7
Community value-added services	197,340	62.4	141,481	59.6
Value-added services to non-property owners	74,323	20.2	68,036	18.3
Total	511,301	25.3	376,679	20.6

Gross profit margin for property management services increased to 17.9% for the year ended 31 December 2020 from 13.7% for the year ended 31 December 2019 primarily due to lower cost of sales benefited from the exemptions from contributions of social insurance by the local government and various cost control measures implemented.

Gross profit margin for community value-added services increased to 62.4% for the year ended 31 December 2020 from 59.6% for the year ended 31 December 2019 primarily due to an increase in revenue contribution for community asset value-added services which generally had a higher gross profit margin.

Gross profit margin for value-added services to non-property owners increased to 20.2% for the year ended 31 December 2020 from 18.3% for the year ended 31 December 2019 primarily due to an increase in gross profit margin for pre-delivery services as we have paid efforts in cost control including better staff deployment and centralized procurement of sub-contracting services.

Among the business lines, our community value-added services generally recorded a higher gross profit margin as we can utilize our existing resources from provision of property management services and incur less direct cost, in particular, staff cost.

Other income and other net (losses)/gains

Other income decreased by 23.0% to RMB173.5 million for the year ended 31 December 2020 from RMB225.4 million for the year ended 31 December 2019. This decrease was mainly attributable to a decrease of RMB67.0 million in interest income from loans due from related parties since the loan was early settled in full during the year, and partially offset by an increase of RMB12.5 million in government grants as certain local governments provided (i) subsidies to us, as property management companies in the PRC, in light of the outbreak of COVID-19; and (ii) deduction of input value-added tax applicable to certain of our subsidiaries.

We recorded other net losses of RMB10.2 million for the year ended 31 December 2020 as compared to a net gain of RMB3.1 million for the year ended 31 December 2019 due to an increase of RMB13.4 million in net foreign exchange losses.

Operating expenses

Selling and marketing expenses increased by 74.4% to RMB15.7 million for the year ended 31 December 2020 from RMB9.0 million for the year ended 31 December 2019. The increase was due to our vigorous business promotion campaigns for community value-added services and more community activities were held accordingly during the year.

Administrative expenses increased by 27.0% to RMB182.8 million for the year ended 31 December 2020 from RMB143.9 million for the year ended 31 December 2019. This increase was primarily due to the incurrence of listing expenses in the amount of RMB37.5 million during the year.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by 119.7% to RMB31.2 million for the year ended 31 December 2020 from RMB14.2 million for the year ended 31 December 2019, the increase was primarily due to the increase of overall expected loss rate.

Fair value gains on investment properties

Fair value gains on investment properties decreased to RMB0.6 million for the year ended 31 December 2020 from RMB1.1 million for the year ended 31 December 2019. The fair value gains were mainly attributable to an increase in fair value of carpark spaces we held as investment properties.

Finance cost

Finance cost decreased by 24.1% to RMB131.4 million for the year ended 31 December 2020 from RMB173.1 million for the year ended 31 December 2019, which was mainly attributable to a decrease of RMB40.6 million in interest expenses of asset-backed securities since we have early repaid it in full during the year pursuant to the asset-backed securities agreement.

Share of results in joint ventures

Share of results in joint ventures increased by RMB15.8 million to RMB16.1 million for the year ended 31 December 2020 from RMB0.3 million for the year ended 31 December 2019. The significant increase was mainly attributable to the share of profit from the 50% equity interest in 2 property management companies we acquired on 30 June 2020. For details of the acquisitions, please refer to the section headed "Material acquisitions and disposals of subsidiaries, associates and joint ventures".

Taxation

In line with the increase of revenue, income tax expense increased by 10.6% to RMB67.6 million for the year ended 31 December 2020 from RMB61.1 million for the year ended 31 December 2019. Effective tax rate in 2020 was 20.3% (2019: 22.6%), and the decrease of effective tax rate was due to the increase in proportionate share of profit before income tax due to the increase in share of post-tax share of results in joint ventures.

Profit attributable to owners of the Company

Benefiting from the increase of revenue in 2020, the profit attributable to owners of the Company increased by 24.7% to approximately RMB257.6 million, as compared to RMB206.5 million for 2019. Our management will continue to focus on the improvement of our Shareholders' return as their on-going task.

Investment properties

Our investment properties represented certain community facilities and carpark spaces located in the PRC which are held to earn rentals and for capital appreciation. As at 31 December 2020, the Group's investment properties increased to approximately RMB85.5 million from approximately RMB84.9 million as at 31 December 2019. The slight increase was mainly caused by the change in fair value.

Property, plant and equipment

Property, plant and equipment mainly consisted of electronic equipment, leasehold improvements, office equipment and vehicles. As at 31 December 2020, the Group's property, plant and equipment decreased to approximately RMB20.2 million from approximately RMB25.3 million as at 31 December 2019 primarily due to disposal of old electronic equipment and office equipment, coupled with depreciation.

Intangible assets

Our intangible assets comprised of computer software, property management contracts and customer relationship, trademark and goodwill. As at 31 December 2020, the Group's intangible assets decreased by 4.8% to RMB107.0 million from RMB112.4 million as at 31 December 2019 primarily due to amortization during the year.

Inventories

Our inventories primarily consisted of carpark spaces held for sale and consumables held for consumption during the provision of property management services. Our inventories decreased to RMB122.9 million as at 31 December 2020 from RMB134.8 million as at 31 December 2019 since we increased our effort to sell certain carpark spaces during the year.

Trade and note receivables

Trade and note receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. Our trade and note receivables mainly arise from our property management services provided on a lump sum basis and value-added services. We usually issue a monthly payment notice for value-added services customers, who must pay accordingly. We generally do not grant a credit term to our customers of property management services and a credit term of up to 60 days for value-added services to non-property owners.

As at 31 December 2020, our trade and note receivables amounted to RMB315.5 million, representing a decrease of 13.3% as compared to RMB363.7 million as at 31 December 2019. The decrease was primarily due to our successful attempts to collect the outstanding property management fees through different means.

Prepayments and other receivables

Our prepayments and other receivables include prepayment to suppliers, other receivables and prepaid tax which in aggregate increased to RMB114.7 million as at 31 December 2020 from RMB94.3 million as at 31 December 2019. The increase was primarily due to an increase in prepayment of utility fees for more projects under our management and the increase in deposits for participating in tender and bidding process for obtaining new projects.

Loans and interest receivables due from related parties

Our Group provided certain interest-bearing loans in an aggregate amount of RMB2,856.0 million as at 31 December 2019 to a related party, for their operating cash needs and business development. The loan had an interest rate of 8.04% per annum, which was in line with our capital management policy. As at 31 December 2020, our loan and interest receivables due from related parties decreased to nil from RMB2,856.0 million as the related party has fully repaid the loans during the year.

Financial assets at fair value through profit or loss

During the year ended 31 December 2019, we have invested in certain financial assets at fair value through profit or loss, which mainly included investments in short-term structured deposits and money market funds. As at 31 December 2020, such investments have been fully redeemed.

Trade and other payables

Trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including purchase of utilities and materials and purchase from sub-contractors. Accruals and other payables represent: (i) other payables to third parties; (ii) other payables to related parties; (iii) dividend payables; (iv) interest payables; (v) salaries payables; and (vi) other tax payables.

As at 31 December 2020, our trade and other payables amounted to RMB659.8 million, representing a decrease of 18.3% as compared to RMB807.7 million as at 31 December 2019 as we repaid the advances of RMB146.1 million from the Sino-Ocean Group.

Contract liabilities

Contract liabilities represent our obligations to provide the contracted property management services and community value-added services to customers. Our contract liabilities mainly arise from the advance payments made by customers while the underlying services such as property management services and carpark management services are yet to be provided. As at 31 December 2020, our contract liabilities amounted to RMB327.9 million, representing an increase of 7.8% as compared to RMB304.1 million as at 31 December 2019 which was primarily resulting from expansion of business activities.

Capital expenditures

In 2020, we incurred capital expenditures of RMB9.0 million, representing a decrease of 36.6% as compared to approximately RMB14.2 million for 2019, which mainly consisted of (i) purchase of property, plant and equipment such as electronic equipment, office equipment and vehicles and (ii) purchase of intangible assets such as computer software.

Financial resources and liquidity

Our principal cash requirements are to pay for working capital needs and capital expenditures for the expansion and procurement of property, plant and equipment and acquisition of subsidiaries and joint ventures. We meet these cash requirements by relying on our cash on hand and at financial institutions and net cash flows from operating activities as our principal source of funding.

As at 31 December 2020, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) totaling RMB2,175.4 million, of which 71.6% (2019: 0.0%) of the Group's cash resources were denominated in HKD with the remaining balances mainly denominated in RMB, and a current ratio of 2.7 times (2019: 0.7 times). We have ample financial resources and an adaptable financial management policy to support our business expansion in the coming years.

In April 2018, as a subsidiary of Sino-Ocean Holding Group (China) Limited ("Sino-Ocean (China)") and in accordance with its capital management plan, we entered into an asset-backed securities arrangement with a third-party investment bank and brokerage firm in the PRC by securitizing our rights of receiving property management fees in respect of certain properties under our management. We then utilized the proceeds from issuance of such securities to provide loans to Sino-Ocean (China) with an interest rate of 8.04% per annum, which was in line with our capital management policy. According to the agreement of the asset-backed securities, we are eligible to exercise our right of redemption at redemption start date corresponding to each of the expected maturity date, and the redemption is irrecoverable once started. As at 31 December 2020, we have completed the redemption of all the asset-backed securities. As a result, the Group's borrowings as at 31 December 2020 decreased to nil from approximately RMB2,546.0 million as at 31 December 2019.

Due to the above arrangements, our gearing ratio (i.e. total borrowings and lease liabilities less total cash resources divided by total equity) decreased significantly from 483.1% as at 31 December 2019 to nil as at 31 December 2020 as we were in a net cash position after the listing.

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

(RMB '000)	As at 31 December 2020	As a percentage of total borrowings	As at 31 December 2019	As a percentage of total borrowings
Within 1 year	–	–	403,974	15.9%
1 to 2 years	–	–	295,000	11.5%
2 to 5 years	–	–	997,000	39.2%
Over 5 years	–	–	850,008	33.4%
Total	–	–	2,545,982	100.0%

Capital commitments

Capital commitments represent capital expenditure contracted for as at the end of the reporting period but not yet incurred. As at 31 December 2020, we did not have any capital commitment.

Charge on assets

As at 31 December 2020, we did not have any charges on our assets.

Contingent liabilities

As at 31 December 2020, we did not have any significant contingent liabilities.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

• Transfer of 100% equity interest in Ocean Homeplus

The following transactions were effected to consolidate Ocean Homeplus into our Group.

In contemplation of the transfer of equity interest in Ocean Homeplus Property Service Corporation Limited ("Ocean Homeplus"), the flagship company of our Group from Beijing Yuankun Real Estate Development Co., Ltd. ("Beijing Yuankun"), Beijing Yuankun and Beijing Bicheng Venture Capital Management Co., Ltd. ("Beijing Bicheng") entered into an equity transfer agreement dated 14 April 2020 and a supplemental agreement to the equity transfer agreement dated 16 May 2020, pursuant to which Beijing Yuankun agreed to transfer 71.15% equity interest in Ocean Homeplus to Beijing Bicheng at a consideration of RMB131 million. Such consideration was determined with reference to the net asset value of Ocean Homeplus as at 31 March 2020, and has been fully settled. Each of Beijing Yuankun and Beijing Bicheng is an indirect wholly-owned subsidiary of Sino-Ocean.

Beijing Bicheng and Beijing Zhuoyuan Ruitong Enterprise Management Service Co., Ltd. ("Zhuoyuan Ruitong") then entered into an equity transfer agreement dated 28 April 2020 and a supplemental agreement to the equity transfer agreement dated 16 May 2020, pursuant to which Beijing Bicheng agreed to transfer 71.15% equity interest in Ocean Homeplus to Zhuoyuan Ruitong at a consideration of RMB131.6 million. Such consideration was determined with reference to the acquisition costs paid by Beijing Bicheng, and has been fully settled. Zhuoyuan Ruitong is an indirect wholly-owned subsidiary of the Company.

In addition, Beijing Yuanjing Ruixiang Management Consultation Co., Ltd. ("Beijing Yuanjing") and Beijing Zhuoyuan Ruihe Enterprise Management Service Co., Ltd. ("Zhuoyuan Ruihe") entered into an equity transfer agreement dated 28 April 2020 and a supplemental agreement to the equity transfer agreement dated 16 May 2020, pursuant to which Beijing Yuanjing agreed to transfer 28.85% equity interest in Ocean Homeplus to Zhuoyuan Ruihe at a consideration of RMB53.4 million. Such consideration was determined with reference to the net asset value of Ocean Homeplus as at 31 March 2020, and has been fully settled. Beijing Yuanjing is an indirect wholly-owned subsidiary of Sino-Ocean and Zhuoyuan Ruihe is an indirect wholly-owned subsidiary of the Company.

Upon completion of the above transfers, Ocean Homeplus is owned as to 71.15% by Zhuoyuan Ruitong and as to 28.85% by Zhuoyuan Ruihe.

• Transfer of 50% equity interests indirectly held by Sino-Ocean in two joint venture companies

On 30 June 2020, Beijing Yichi Property Service Co., Ltd., an indirect wholly-owned subsidiary of our Company, and Chengdu Qianhao Real Estate Co., Ltd., a joint venture of Sino-Ocean, entered into an equity transfer agreement, pursuant to which Chengdu Qianhao Real Estate Co., Ltd. transferred 50% equity interest in a joint venture, Chengdu Qianhao Property Service Co., Ltd. ("Chengdu Qianhao"), to Beijing Yichi Property Service Co., Ltd. at a consideration of RMB7,829,288.49. Such consideration was determined with reference to the net asset value of Chengdu Qianhao as of 30 May 2020, and has been fully settled.

Chengdu Qianhao was established in the PRC as a limited liability company on 18 February 2014, with a registered capital of RMB1,000,000, and has engaged in the provision of property management services. Upon completion of the above transfer, Chengdu Qianhao is owned as to 50% by our Group and 50% by Great Ascend Limited (which save for its interest in Chengdu Qianhao is an independent third party), and the financial results of Chengdu Qianhao will not be consolidated into the financial statements of our Group.

On 30 June 2020, Beijing Yiheng Property Services Co., Ltd., an indirect wholly-owned subsidiary of our Company, and Beijing Linlian Real Estate Co., Ltd., a joint venture of Sino-Ocean, entered into an equity transfer agreement, pursuant to which Beijing Linlian Real Estate Co., Ltd. transferred 50% equity interest in a joint venture, Beijing Indigo Property Services Co., Ltd. ("Beijing Indigo"), to Beijing Yiheng Property Services Co., Ltd. at a consideration of RMB250,000. Such consideration was determined with reference to the net asset value of Beijing Indigo as of 30 May 2020, and has been fully settled.

Beijing Indigo was established in the PRC as a limited liability company on 25 February 2011, with a registered capital of RMB500,000, and has engaged in the provision of property management services. Upon completion of the above transfer, Beijing Indigo is owned as to 50% by our Group and as to 50% by Linkage Power Limited (which save for its interest in Beijing Indigo is an independent third party), and the financial results of Beijing Indigo will not be consolidated into the financial statements of our Group.

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

Other Information

• Risk of exposure to exchange rate fluctuations

The principal activities of the Group are conducted in the PRC. Except for certain net proceeds denominated in HKD raised from the listing, the Group was not subject to any material risk directly relating to foreign exchange fluctuations. In view of the potential Renminbi exchange rate fluctuations, we will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks. During the year ended 31 December 2020, the Group did not use any financial instruments for hedging purpose.

Employees and human resources

As at 31 December 2020, the Group had 5,928 employees (31 December 2019: 5,799 employees). The total number of employees serving the Group has remained basically stable. We will continue to strive for improvement in both manpower effectiveness and control capability of the Group. Our employee benefit expenses for 2020 was approximately RMB579.3 million (2019: RMB595.9 million).

We have adopted an effective human resource system that provides differentiated employee training, performance evaluation and incentive measures which are tailored to the needs of different positions, from entry-level staff to senior management, with different skill requirements and career aspirations. We have competitive compensation plan, sound employee welfare policy, regular performance appraisal and internal rating system to attract external talents as well as retaining employees and management for our business expansion. We have also implemented various types of incentive schemes for different levels of employees.

We believe that our results-driven and value-sharing culture together with our well-developed talent selection, cultivation and evaluation initiatives have enabled us to identify, recruit, train and retain employees who share our fundamental values and are able to provide professional and high-quality services to customers, thus making us stand out from our competitors.

Use of net proceeds from listing

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 December 2020 with 296,000,000 new shares issued at a final offer price of HKD5.88 per share. After deduction of the underwriting fees and commissions and expenses payable by the Company, net proceeds from the listing amounted to approximately HKD1,691.7 million (equivalent to RMB1,426.3 million) and the net proceeds per share were HKD5.72 (equivalent to RMB4.82). Such proceeds are intended to be applied in the manner and timeframe consistent with that disclosed in the prospectus of the Company dated 7 December 2020:

- Approximately 60%, or HKD1,015.0 million, will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business;
- Approximately 20%, or HKD338.3 million, will be used to develop smart community through upgrading of our systems for smart management;
- Approximately 10%, or HKD169.2 million, will be used to enhance our level of digitization and our internal information technology infrastructure; and
- Approximately 10%, or HKD169.2 million, will be used for working capital and general corporate purpose.

As at 31 December 2020, none of the net proceeds has been utilized. The net proceeds were deposited with licensed banks or financial institutions in Hong Kong and mainland China for short-term deposits.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yang Deyong

Mr. Yang Deyong, aged 46, is the joint chairman, executive director, chief executive officer, chairman of the nomination committee and member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Yang joined Sino-Ocean Group Holding Limited ("Sino-Ocean", together with its subsidiaries, "Sino-Ocean Group"), the controlling shareholder of the Company and the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in April 2007 and served successively as general manager of Sino-Ocean Property Development (Zhongshan) Co., Ltd., general manager of customer services division, assistant to the president and vice president of Sino-Ocean Group and other positions. Mr. Yang joined Ocean Homeplus Property Service Corporation Limited ("Ocean Homeplus") in August 2015 and served successively as a director, chairman and general manager and other positions. Mr. Yang has extensive experience in corporate governance, business development and management. Mr. Yang graduated from Renmin University of China with a bachelor's degree in economics in 1995; graduated from Sun Yat-sen University with a master's degree in business administration in 2004; and graduated from China Europe International Business School with an EMBA degree in 2015.

Ms. Zhu Geying

Ms. Zhu Geying, aged 47, is an executive director and chief financial officer of the Company. She is also a director of certain subsidiaries of the Company. Ms. Zhu joined Sino-Ocean Group in July 2001 and served as the project finance manager and the chief financial officer of the enterprise division of Sino-Ocean Group; she joined Ocean Homeplus in October 2016, and was appointed as a director in February 2018 and the chief financial officer in April 2019. Ms. Zhu has over 24 years of financial management experience. Ms. Zhu graduated from the Capital University of Economics and Business with a bachelor's degree in economics in 1996. In July 2010, she was qualified as a senior accountant in the PRC.

Non-executive Directors

Mr. Cui Hongjie

Mr. Cui Hongjie, aged 48, joined the Company's board of directors (the "Board") in September 2020 and is the joint chairman, non-executive director, member of the audit committee and nomination committee of the Company. Mr. Cui joined Sino-Ocean Group in August 1996 and is serving as an executive director, executive president, and general manager of the product construction centre of Sino-Ocean. Mr. Cui previously served as general manager of the costing and engineering department, general manager of technology and cost department, assistant to CEO and vice president of Sino-Ocean Group. Mr. Cui has extensive experience in operation and development of real estate, product creation and management. Mr. Cui graduated from Beijing University of Technology with a bachelor's degree in engineering in 1996 and 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.

Mr. Zhu Xiaoxing

Mr. Zhu Xiaoxing, aged 38, joined the Board in April 2020 and is serving as the vice chairman, non-executive director and member of the audit committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Zhu joined Sino-Ocean Group in 2008 and is serving as the general manager of the investment and finance business center of Sino-Ocean Group. Mr. Zhu had previously served as deputy general manager of the capital operation department, and as general manager of the office of CEO affairs of Sino-Ocean Group. Mr. Zhu has over 10 years of experience in property investment, financing and business management. Mr. Zhu graduated from Southwest University of Political Science & Law with a bachelor's degree in management in 2005; and graduated from Peking University with a master's degree in law in 2008. Mr. Zhu was admitted to practice law in the PRC in 2006 and was admitted in the PRC to practice as a certified public accountant in 2009.

Independent Non-executive Directors

Dr. Guo Jie

Dr. Guo Jie, aged 56, joined the Board in November 2020 and is serving as an independent non-executive director, member of the audit committee, remuneration committee and nomination committee of the Company. Since May 1997, Dr. Guo has worked in the school of economics of Renmin University of China, and is currently a professor and a doctoral advisor in the school of economics, engaged in teaching and research. Dr. Guo graduated from Renmin University of China with a master's degree in economics in 1996 and a doctorate in economics in 2004.

Dr. Xue Jun

Dr. Xue Jun, aged 46, joined the Board in November 2020 and is serving as an independent non-executive director, chairman of the remuneration committee, member of the audit committee and nomination committee of the Company. Since August 2005, Dr. Xue has been working at Peking University in their law school, and is currently a professor of their law school. Since February 2015, Dr. Xue has been listed on the panel of arbitrators of the Beijing Arbitration Commission. In September 2018, he was appointed as the director of Peking University's law research center on e-commerce. Dr. Xue graduated from Zhongnan University of Economics and Law (previously known as Zhongnan University of Political Science and Law) with a bachelor's degree in law in 1996 and a master's degree in civil and commercial law in 2000; and graduated from University of Rome II (Università degli Studi di Roma Tor Vergata) with a doctorate in Roman law in 2005.

Mr. Zhu Lin (formerly known as Zhu Xiaolin)

Mr. Zhu Lin, aged 47, joined the Board in November 2020 and is serving as an independent non-executive director, chairman of the audit committee and member of the nomination committee of the Company. Mr. Zhu has extensive experience in accounting and financial consulting. Mr. Zhu served as a senior manager at the mergers and acquisitions department of PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (Beijing Branch) and is currently a partner of Beijing Legendhouse CPAs. Mr. Zhu is currently an independent non-executive director of each of Tsaker Chemical Group Limited and Archosaur Games Inc., which are companies listed on the Stock Exchange, a director of Jiangsu Changshu Automotive Trim Group Co., Ltd., a company listed on the Shanghai Stock Exchange, an independent director of Sinostar Cable Co., Ltd., a company listed on the Shenzhen Stock Exchange, and a director of Beijing Chexun Internet Co., Ltd., a company listed on the National Equities Exchange and Quotation (NEEQ). Mr. Zhu graduated from the Central University of Finance and Economics with a bachelor's degree in economics in 1995. Mr. Zhu is a member of the Chinese Institute of Certified Public Accountants.

Senior Management

Mr. Guo Zhibao

Mr. Guo Zhibao, aged 46, is the vice president of the Company. Mr. Guo joined the Company in 2015. Mr. Guo used to be a director of the electromechanical committee at Beijing Vanke Property Services Co., Ltd. and an equipment manager of the technology department at Longfor Property Services Group Co., Ltd. He has extensive experience in electromechanical professional technology research and development and management, and engineering management. Mr. Guo completed a degree in civil engineering at China University of Geosciences, via distance learning in 2016; he graduated from Beijing Open University Shunyi Branch with a bachelor's degree in administrative management in 2020. Mr. Guo is a registered electrical engineer in the PRC.

Mr. Du Xin

Mr. Du Xin, aged 45, is the vice president of the Company. Mr. Du joined the Company in 2008. Mr. Du used to be a business manager and a consulting manager of Shenzhen Gemdale Property Management Co., Ltd., and the business manager and a project manager of Agile Group Holdings Limited. He has extensive experience in business operations and project management. Mr. Du completed a degree in engineering management at Central South University, via distance learning in 2015. Mr. Du is a qualified quality control engineer in the PRC.

Mr. Wang Lifeng

Mr. Wang Lifeng, aged 44, is the vice president of the Company. Mr. Wang joined the Company in 2009 and has served as the general manager of Shenyang Ocean Foundation Property Management Co., Ltd., and the general manager and regional supervisor of Dalian Ocean Foundation Property Management Co., Ltd. Mr. Wang used to be a project development supervisor of Shenyang Vanke Enterprises Company Limited, responsible for real estate development-related work. Mr. Wang has extensive experience in business operations and project management. Mr. Wang completed a degree in construction engineering at Tianjin University, via correspondence learning in 2004; he graduated from Dalian University of Technology with a master's degree in business administration in 2019. Mr. Wang is a registered as a civil engineer and a certified property manager in the PRC.

Company Secretary

Mr. Chung Kai Cheong

Mr. Chung Kai Cheong, aged 43, has been appointed as the company secretary of the Company since September 2020. Mr. Chung is also the company secretary of Sino-Ocean. Mr. Chung obtained a bachelor's degree majoring in accountancy from The City University of Hong Kong. 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. Mr. Chung gained extensive experience in auditing, accounting, financial management, financing, compliance of Rules Governing the Listing of Securities on the Stock Exchange and related regulations in Hong Kong through his works in an international accounting firm, companies listed on the Stock Exchange and a licensed corporation defined under the Securities and Futures Ordinance.

SUSTAINABILITY REPORT

For an enterprise to achieve sustainable development, it is the core and key to make every effort to strive for the coordinated development of the environment, economy and society in its operation. To this end, Sino-Ocean Service Holding Limited (the "Company", together with its subsidiaries, "Sino-Ocean Service") has continued to integrate the concept of sustainable development into the Company's strategy and daily operation management, and is committed to achieving high-quality development of the Company.

Compliance with regulations to lay a solid foundation for progress

Sino-Ocean Service has strictly followed the requirements of relevant laws and regulations and regulatory documents to disclose relevant information in a true, accurate, complete and timely manner through the Company's official website and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and keep the said information confidential before disclosure, in order to fulfill its obligation of information disclosure as a listed company and to ensure the openness, fairness and impartiality of corporate information disclosure, thus protecting the legitimate rights and interests of the Company and its investors, and especially its minority shareholders.

Sino-Ocean Service has also strictly abided by national and local laws and regulations, attached importance to the construction of a clean party and a clean government and anti-corruption by regularly conducting anti-corruption education and internal compliance auditing, to enhance employees' awareness of probity; and by requiring suppliers to sign the Integrity and Self-discipline Commitment, to avoid any related actions that violate the integrity requirements.

Sincere service to pursue customer satisfaction

Sino-Ocean Service has always adhered to the service concept of "being understanding and innovative". On the back of traditional property services, relying on technological informatization and diversified intelligent service platforms such as "Yi Butler"(億管家), "Yi Life"(億家生活), "Yi Maintenance"(億家修), "Yi Space"(億空間) and the electronic building automation system, it has provided customers with mid-to-high-end exclusive services; centering on customer satisfaction to efficiently respond to various demands, following the idea that digital intelligence drives a better life, the Company has dispatched dedicated high-quality butlers to guard and create a harmonious and happy community, allowing customers to have a convenient, reliable, satisfying, and surprising service experience.

Talents development to gather the strength of employees

Sino-Ocean Service continues to improve the building of the talent management system. In detail, it has set up a complete salary and welfare system for employees, provided systematic training such as induction training, pre-job training, job skills training, and special job training to help employees grow and develop skills; offered opportunities for employees to promote and develop, provided employees with good working conditions and built a stage for employees to play their potential. At the same time, in order to improve the physical and mental health of employees and enhance corporate cohesion, the Company has actively organized and carried out various collective activities such as sports, culture, entertainment, and report meetings to continuously improve employees' sense of belonging and happiness.

Conducting green operation to build a green home together

Sino-Ocean Service has implemented a number of energy-saving measures to effectively achieve energy-saving and emission-reduction according to various national and local environmental protection laws and regulations. For example, branches in the Southern China region have achieved power saving through measures such as the use of LED lamps in new projects and energy-saving renovation schemes of LED lamps in existing projects; adopted advanced energy-saving water pumps to carry out energy-saving renovations to water supply systems to save water; inspected the whole underground pipeline network upon procurement of leak detection equipment to reduce water dripping and leakage.

Sino-Ocean Service has also actively responded to the call of the national and local domestic waste classification policies, formulating the Domestic Waste Classification Management System of Sino-Ocean to promote the institutionalization and standardization of the Company's waste classification project management based on certain procedures, and pushed ahead the legal, standardized and efficient development of the Company's waste classification. And the Company has strictly followed the requirements put forward by its management system to advance its garbage classification work. According to the characteristics of the types of garbage generated, it has strictly implemented classified storage, and ensured timely transfer to the Company's garbage transfer station. The adoption of partition storage and corresponding treatment would help create a safe and hygienic environment for its owners.

Forge ahead to create a better future for the industry

The sustainable development of the supply chain is an important guarantee for the continuous development and growth of an enterprise. Sino-Ocean Service formulated the Supplier Management System (Trial), set up a procurement committee, continuously improved the supplier management and rating mechanisms, and established a complete process for supplier admission, review, and evaluation to create a benign competitive environment ensuring openness, fairness and justice for suppliers; carried out hierarchical dynamic management of suppliers, screened suppliers' environmental and social risks, and resolutely refused to cooperate with suppliers that have major quality problems or major safety and environmental hazards in the provision of projects, goods and services. Meanwhile, the Company has continued to increase communication with various stakeholders to achieve hand in hand and common development, and create a better future for the industry.

Sincere dedication to make for a harmonious society

In 2020, the COVID-19 epidemic has imposed a huge impact on all walks of life. As an important member of the epidemic prevention and control, property companies have shouldered their responsibility by playing an important role in linking owners and epidemic prevention and control in the process of fighting the epidemic. After the outbreak of the epidemic, Sino-Ocean Service initiated the first-level response in the first time by sending Sino-Ocean Service people to the frontline of defense, demonstrating their persistence of walking side by side with every owner. Facing new challenges, Sino-Ocean Service people effectively managed and controlled, digged deep into service details, so as to provide owners with comprehensive service through innovative service forms such as contactless printing services, contactless express relay services, contactless online maintenance services, and contactless payment services. Besides, Sino-Ocean Service people actively joined community volunteers in various regions, and built a strong line of defense for the owners by arranging nucleic acid testing sites and participating in order maintenance and other specific tasks.

Sino-Ocean Service believes that sustainable development is essential to the development of the Company, and therefore actively implements the concept at all levels of the business, in order to create a better future for the community and the Company. Sino-Ocean Service will separately publish its 2020 Sustainable Development Report in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The 2020 Sustainable Development Report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.sinooceanservice.com) within the period stipulated by the Listing Rules.

REPORT OF THE DIRECTORS

The board of directors (the "Board") of Sino-Ocean Service Holding Limited (the "Company" or "Sino-Ocean Service") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

Global offering

The Company carried out the global offering comprising 296,000,000 ordinary shares of the Company (the "Share" or "Shares") at HKD5.88 per Share during the year and the Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 December 2020. For details of the relevant use of proceeds, please see the section headed "Use of net proceeds from listing" under the Management Discussion and Analysis of this annual report.

Principal operations and segmental analysis of operations

The Company is an investment holding company and the Group is a comprehensive property management service provider with extensive geographic coverage in the PRC. Our property management services cover a wide range of property types, including residential communities, commercial properties (such as office buildings, shopping malls and hotels) and public and other properties (such as hospitals, public service facilities, government buildings and schools). In addition to property management services, we provide a variety of community value-added services to property owners and residents of the properties under our management, including community asset value-added services, community living services and property brokerage services, and value-added services to non-property owners, including pre-delivery services, consultancy services and property engineering services to property developers and other property management companies.

The analysis of the Group's operating segments and revenue and cost of sales in its major operation activities is set out in note 5 and note 6 to the consolidated financial statements of this annual report.

Results and appropriations

Results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income on page 75 of this annual report.

The Board proposed to recommend at the forthcoming annual general meeting of the Company (the "AGM") to be held on Tuesday, 25 May 2021 the payment of a final dividend of RMB0.055 per Share (equivalent to HKD0.066 per Share, rounded to the nearest three decimal places) for the year ended 31 December 2020. The final dividend will be paid in cash in Hong Kong dollars. The relevant exchange rate is the average central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the period from Friday, 12 March 2021 to Thursday, 18 March 2021 (RMB1 = HKD1.1954). The final dividend is subject to the approval of the shareholders of the Company (the "Shareholders") at the AGM. The final dividend will be paid to the Shareholders whose names are standing in the register of members of Shares of the Company on Friday, 28 May 2021. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited (the "Share Registrar") at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 28 May 2021.

Closure of register of members

The register of members of Shares of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar no later than 4:30 p.m. on Tuesday, 18 May 2021.

Dividend policy

The Company has adopted a dividend policy which sets out the basic principles and factors for considerations by the Board for the distribution of dividends. The Company strives to maintain a stable dividend payout ratio in order to enhance the Company's long-term investors' confidence in the Company's stock and strengthen the momentum of the Company's future share price. The Company intends to pay dividends twice a year in an aggregate amount of not less than 25% of the annual consolidated profit attributable to the owners of the Company.

On the premise that a stable dividend payout ratio shall be maintained, the Company is required to balance the Group's result of operations, working capital, cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant.

In addition, any declaration and payment as well as the amount of the dividends will be subject to (i) the provisions of our amended and restated articles of association (the "Articles") which provide that the Company may declare dividends at a general meeting but no dividend shall be declared in excess of the amount recommended by the Board; and (ii) Cayman Islands companies law which permits dividends to be paid out of the profits of a company or subject to satisfaction of the solvency test prescribed by the Cayman Islands companies law, out of sums standing to the credit of its share premium account. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

Reserves

Movements in the reserves of the Group and the Company during the year under review are set out in note 28 and note 37(a) to the consolidated financial statements of this annual report.

Distributable reserves

The Company's total distributable reserves as at 31 December 2020 amounted to RMB1,633.1 million.

Share capital

Movements in the share capital of the Company during the year under review and as at 31 December 2020 are set out in note 27 to the consolidated financial statements of this annual report.

Fixed assets

Movements in the Group's fixed assets are set out in note 17 to the consolidated financial statements of this annual report.

Borrowings and capitalization of interests

Details of borrowings are set out in note 31 to the consolidated financial statements of this annual report. Details of the Group's capitalized interest expenses and other borrowing costs during the year under review are set out in note 11 to the consolidated financial statements of this annual report.

Donations

For the year ended 31 December 2020, the Group's donations for charity and other purposes were approximately RMB2.54 million.

Business review

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the sections headed "Result review and strategies" under the Chairman's Statement, "Business review" and "Future development plans" under the Management Discussion and Analysis of this annual report respectively. The description of possible risks and uncertainties that the Group may be facing are set out in note 3 to the consolidated financial statements and "Other information" under the Management Discussion and Analysis of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Financial and Operational Summary on pages 8 to 9 of this annual report.

Environmental policy and other compliance

The Group is subject to the PRC laws and regulations in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO14001 and BS-OHSAS18001 standards, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues.

The Board also considers that establishing and implementing sound environmental, social and governance ("ESG") principles and practices will help increase the investment value of our Company and provide long-term returns to our stakeholders. To ensure the effectiveness of our ESG risk management measures and internal control systems, the Board will be responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG related risks. The Board intends to adopt the following approaches and strategies to evaluate and manage the material ESG related issues and ensure our compliance with the relevant rules and regulations, including but not limited to, reviewing ESG reports of similar industry to identify the relevant ESG areas, discussing with our key stakeholders on the material ESG areas identified, and discussing among our management to ensure all the material ESG areas which are important to our business development are being reported and complied with.

The Board considers the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs.

Stakeholder relations

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

The Board believes that the support of Shareholders and investors to the Group is essential. The Group adheres to the best practice in information disclosure in terms of accuracy, transparency and consistency all the time. The Group is committed to maintaining highly honest, sincere and effective communication with financial community and other stakeholders. The Group makes proactive communication with investors through results announcement conferences and roadshows. The Group also attends investors' conferences and communicates with investors constantly to foster two-way communication amongst the Company and its investors. After each general meeting, management reserved time for individual Shareholders to voice their opinions and concerns, ensuring all Shareholders present were given opportunity to discuss the key issues with our representatives.

An enterprise should form initiatives in support of national policies as a means to respond to government expectations and demands. Over the years, Sino-Ocean Service closely followed national policies while showing a persistent concern and support for people's livelihood. We have never ceased to develop projects for our market segment. Meanwhile, we have exerted the strength of a property management company in public management, and strived to improve people's living standard and integrate into community governance.

Over the years, we have received various awards from various entities in the PRC in recognition of, among other things, our overall strength and reputation, business scale, service quality and customer satisfaction in the PRC property management industry. In 2020, we have been awarded and recognized as "Top 100 Property Management Companies in China in terms of overall strength" (Ranking 13th in 2019), "China Leading Property Management Companies in terms of growth potential" (Ranking 11th in 2019), "2020 Excellent Property Management Companies in China in terms of commercial property management services", "2020 Top 10 Property Management Companies in Beijing" and "China Property Management Industry Demonstration Site – Ocean International Center (Beijing) and Ocean Landscape Eastern Area (Beijing)" by China Index Academy, "2020 Potential Unicorn of Property Management Service" and "2020 Top 100 Most Valuable Brand of Property Management Service" by China Property Management Institute, E-house China R&D Institute and China Real Estate Appraisal Center, and "2020 Top 100 Blue Chip Property Management Companies" by Economic Observer.

At Sino-Ocean Service, we treasure our property owners and customers as one of our most important groups of stakeholders and attend to their needs by promoting healthy lifestyles, quality life, amicable neighbor relations and civilized community atmosphere. For more details, please refer to the Sustainability Report of this annual report.

The Group commits to mutual growth and benefit with its business partners and drive them in sustainable development and fulfillment of social responsibility. Sino-Ocean Service has business partners across the nation. The Group gives priority to local suppliers based on the locations of relevant projects and engages in regular discussion with business partners. Strategic suppliers are assessed and classified (based on the results of the assessment) on a semi-annual basis, while feedback on cooperation in strategic procurement is collected every other two months to ensure timely understanding of the partners' businesses and developments. In 2019, Sino-Ocean Group Holding Limited ("Sino-Ocean", together with its subsidiaries, "Sino-Ocean Group") officially issued the Sino-Ocean Group Supplier Code of Conduct, as a member of Sino-Ocean Group, Sino-Ocean Service strictly adhered to the Sino-Ocean Group Supplier Code of Conduct to ensure that the suppliers of Sino-Ocean Service share the Group's views on accountability. In the meantime, Sino-Ocean Service has also shared the idea of "micro-charity, co-participation and co-sustainability" with its partners. Under the proposition of "shared benefits", an increasing number of them have joined hands with Sino-Ocean Service to create a better world.

Our corporate social responsibility is performed and completed primarily through "Sino-Ocean Charity Foundation", which is funded by Sino-Ocean Group and serves as the hub for a network of charitable resources with special emphasis on education support. Its specialised platform has effectively integrated the resources of Sino-Ocean Service and provided the most professional and compliant channel for the charitable donations and public welfare cooperations between the members of Sino-Ocean Group and their partners.

Please refer to the 2020 Sustainable Development Report of the Company, which will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinooceanservice.com) within the period as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), for further details.

Investor relations

Promoting company value

Our management attaches great importance to effective communication with Shareholders, potential investors, analysts, financial media and the public, and listens to their valuable opinions and suggestions on the Company. The Company believes that an efficient and transparent information disclosure mechanism enables investors to understand the Group's business, updates and strategies in a timely and accurate manner, so as to reasonably evaluate the company value and enhance investors' trust in the Company, thereby creating maximum value for our Shareholders.

Since preparation for the listing in 2020, our investor relations department has maintained close communication with the capital market by participating in capital market activities, holding press conferences, investor roadshows and reverse roadshows, and issuing press releases.

Our investor relations department will continue to strengthen and promote the frequency and quality of communication with investors to ensure timely, accurate and effective information transmission. The Company will publish information such as announcements, interim and annual reports on the Company's website at www.sinooceanservice.com and designate professional personnel to maintain regular communication with the capital market. Interested parties can access such information by contacting our investor relations department at ir@sinooceanservice.com.

Change of company logo

To further develop the Company's brand cognition, the Company has recently enhanced the Company logo to allow better recognition of Sino-Ocean Group's pursuance of quality of residential and integrated development, property development and operation, business collaboration and customer service.

Compliance with laws and regulations

With the rapid development of the property management industry in China, the regulatory framework of the property management industry is becoming increasingly well developed and mature. Property service enterprises shall comply with the laws and regulations of the PRC in all aspects of their business activities, including the establishment of property management enterprises, the selection of property service enterprises, property management operations (including security, cleaning, greening, gardening and repair and maintenance services, etc.), labor, environmental protection and foreign exchange control, and shall be bound by laws and regulations at different levels. The Company recognizes the importance of conducting business activities in accordance with laws and regulations, and non-compliance in any of the above aspects may result in serious risks and consequences. The Company has reasonably allocated its financial and human resources (especially the construction of the compliance and risk control team) to ensure continuous compliance with various laws, regulations and policy requirements, and has maintained good working relationships with government regulatory agencies through effective communication. During the year under review, the Company has complied with key PRC laws and regulations as follows: Foreign Investment Law of the People's Republic of China, Company Law of the People's Republic of China, The Civil Code of the People's Republic of China, Construction Law of the People's Republic of China, Fire Control Law of the People's Republic of China, Special Equipment Safety Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China, Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, Regulation on Realty Management, Regulation on the Administration of Security and Guarding Services, Property Service Charge Management Measures, Regulation of the People's Republic of China on Foreign Exchange Administration, Interim Measures for Bid-Inviting and Bidding Management of Preliminary Realty Management, Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Disputes over Realty Services, and other relevant laws, regulations, judicial interpretations and regulatory legal documents.

The Company is also committed to complying with the following key laws and regulations in Hong Kong, including but not limited to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, "SFO") and has been working with external professionals to develop internal fingerprints and educate its employees to ensure that the Company and its employees will from time to time adopt business practices that comply with relevant laws.

Corporate governance

The Company is committed to maintaining a high standard of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 58 to 68 of this annual report.

Remuneration policy and retirement benefits of the group

The Group's remuneration policy has been determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level of the same industry in the market.

Details of the Group's retirement benefit plans are set out in note 10 to the consolidated financial statements of this annual report.

Basis of determining remuneration to directors

The Board determines the remuneration and compensation packages of our Directors and senior management of the Company by receiving recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Financial summary

A four-year financial summary of the Group is set out on page 156 of this annual report.

Purchase, sales or redemption of the company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period from 17 December 2020 (the "Listing Date") to 31 December 2020 (the "Relevant Period").

Directors

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

Name	Position
Mr. YANG Deyong	Joint Chairman, Chief Executive Officer and Executive Director (appointed on 1 September 2020)
Ms. ZHU Geying	Chief Financial Officer and Executive Director (appointed on 1 September 2020)
Mr. CUI Hongjie	Joint Chairman and Non-executive Director (appointed on 1 September 2020)
Mr. ZHU Xiaoxing	Vice Chairman and Non-executive Director (appointed as a Director on 15 April 2020 and re-designated as a Vice Chairman and Non-executive Director on 1 September 2020)
Dr. GUO Jie	Independent Non-executive Director (appointed on 25 November 2020)
Dr. XUE Jun	Independent Non-executive Director (appointed on 25 November 2020)
Mr. ZHU Lin	Independent Non-executive Director (appointed on 25 November 2020)

Brief biographical details of the Directors and senior management as at the date of this report are set out on pages 36 to 39 of this annual report.

Directors' service contracts

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

Permitted indemnity

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

Directors' interests in transactions, arrangements or contracts of significance

Save as disclosed in the section headed "Connected transaction, continuing connected transactions and related party transactions" in this report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director or any entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

Controlling shareholder's interests in contracts of significance

Save as disclosed in the section headed "Connected transaction, continuing connected transactions and related party transactions" in this report and the Management Discussion and Analysis of this annual report, no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and the controlling Shareholder or any of its subsidiaries was the other party subsisted at the end of the financial year or at any time during the financial year under review.

Directors' rights to purchase shares or debentures

At no time during the year under review was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Interests of directors and chief executives in shares, underlying shares and debentures

As at 31 December 2020, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company's associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

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

Name of Directors	Name of associated corporation	Nature of interest	Date of share options granted	Exercise period	Exercise price per share	No. of underlying shares of associated corporation comprised in share options	No. of ordinary shares of associated corporation held	Percentage of total issued share capital of associated corporation
					(HKD)		(long position)	(note)
Mr. YANG Deyong	Sino-Ocean	Beneficial owner	13 April 2016	13 April 2017-12 April 2021	3.80	2,100,000	–	0.028%
			24 August 2017	24 August 2018-23 August 2022	4.70	2,000,000	–	0.026%
			–	–	–	–	118,777	0.002%
Ms. ZHU Geying	Sino-Ocean	Beneficial owner	–	–	–	–	38,531	0.001%
Mr. CUI Hongjie	Sino-Ocean	Beneficial owner	13 April 2016	13 April 2017-12 April 2021	3.80	2,670,000	–	0.035%
			24 August 2017	24 August 2018-23 August 2022	4.70	2,000,000	–	0.026%
			–	–	–	–	369,571	0.005%
Mr. ZHU Xiaoxing	Sino-Ocean	Beneficial owner	13 April 2016	13 April 2017-12 April 2021	3.80	1,200,000	–	0.016%
			24 August 2017	24 August 2018-23 August 2022	4.70	1,500,000	–	0.020%
			–	–	–	–	249	0.000%

Note:

Calculated based on Sino-Ocean's total number of issued ordinary shares of 7,616,095,657 as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors nor the chief executives of the Company or their associates had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2020, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and chief executives of the Company:

Name of substantial Shareholder	Capacity	Long/short position	No. of Shares held	Percentage of the Company's issued share capital (note (iv))
Shine Wind Development Limited	Beneficial owner	Long position	800,000,000	67.57%
		Short position	44,400,000 (note (i))	3.75%
Sino-Ocean	Interest in controlled corporation (note (ii))	Long position	800,000,000	67.57%
		Short position	44,400,000	3.75%
Citigroup Inc.	Interest in controlled corporations (note (iii))	Long position	87,031,376	7.35%
		Short position	44,402,876	3.75%

Notes:

(i) As at 31 December 2020, pursuant to the stock borrowing agreement entered into between Shine Wind Development Limited ("Shine Wind") and Citigroup Global Markets Asia Limited ("Citi"), 44,400,000 Shares were lent by Shine Wind to Citi as the stabilizing manager in connection with the global offering of the Company. The stabilization period had ended on 9 January 2021 and the 44,400,000 Shares lent by Shine Wind had been returned to it by Citi on 13 January 2021.

(ii) Shine Wind is a wholly-owned subsidiary of Sino-Ocean and therefore Sino-Ocean is deemed to be interested in the interests and short positions in Shares held by Shine Wind by virtue of the SFO.

(iii) The disclosure is based on the information available on the website of the Stock Exchange (www.hkexnews.hk). As stated in the form of disclosure of interests filed by Citigroup Inc. on 23 December 2020, these interests and short positions were held by corporations controlled by Citigroup Inc..

(iv) Calculated based on the Company's total number of issued Shares of 1,184,000,000 as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, no person or corporation had any interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

Deed of non-competition

On 30 November 2020, our controlling Shareholders entered into a deed of non-competition in favor of our Company (for ourselves and as trustee for each member of our Group) (the "Deed of Non-competition"), pursuant to which each of the controlling Shareholders undertakes that it shall not, and shall use its best endeavors to procure that its close associates (excluding our Group) shall not, solely or jointly or through representation of any person, enterprise or company, carry on, engage in or make any investment, whether for profit, reward or otherwise in our principal business, namely, the provision of property management services, community value-added services and value-added services to non-property owners.

For details regarding the Deed of Non-competition, please refer to the paragraphs headed "Non-competition Undertaking" in the section of "Relationship with Controlling Shareholders" in the prospectus of the Company dated 7 December 2020 (the "Prospectus").

The Company and the independent non-executive Directors had received an annual written confirmation from each of the controlling Shareholders that they have not breached the terms of the Deed of Non-competition during the Relevant Period. The independent non-executive Directors had also carried out an annual review on the compliance of the Deed of Non-competition and were satisfied that the controlling Shareholders had duly complied with the Deed of Non-competition during the Relevant Period.

Competing interests

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

Management contracts

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

Major customers and suppliers

For the year ended 31 December 2020, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were approximately 17.84% of the Group's total revenue and approximately 10.22% of the Group's total purchase for 2020 respectively.

For the year ended 31 December 2020, the aggregate sales attributable to the Group's largest customer was approximately 12.84% of the Group's total revenue.

For the year ended 31 December 2020, the aggregate purchases attributable to the Group's largest supplier was approximately 6.59% of the Group's total purchase.

Apart from Sino-Ocean and its subsidiaries, during the year ended 31 December 2020, as far as the Directors are aware, neither the Directors, their close associates, nor the Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in the five largest customers and suppliers of the Group.

Connected transaction, continuing connected transactions and related party transactions

Continuing connected transactions

Sino-Ocean through its wholly-owned subsidiary, Shine Wind, is a controlling shareholder of the Company for the purpose of the Listing Rules. Accordingly, Sino-Ocean and its associates ("Sino-Ocean Connected Persons") are our connected persons by virtue of Rule 14A.07 of the Listing Rules and for the purposes of connected transactions under Chapter 14A of the Listing Rules.

The Company entered into seven continuing connected transaction agreements (the "Agreements") in 2020.

1. Trademark Licensing Agreement (disclosed in the Prospectus)

On 26 August 2020, our Company entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with Sino-Ocean, Sino-Ocean Holding Group (China) Limited and Sino-Ocean Land (Hong Kong) Limited (both are indirect wholly-owned subsidiaries of Sino-Ocean) (collectively, the "Licensors") pursuant to which the Licensors agreed to grant a non-exclusive and non-transferrable license to our Group to use certain trademarks registered in their names for nominal consideration of HKD1. For details of the trademarks registered in the names of our Group and the trademarks licensed to our Group which are material to our businesses, please see the section headed "Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights of our Group" in the Prospectus. The Trademark Licensing Agreement shall be of a perpetual term commencing from 26 August 2020. The Trademark Licensing Agreement (i) shall automatically terminate in the event of and upon our Company ceasing to be accounted for as a subsidiary of Sino-Ocean and our financial results ceasing to be consolidated in the consolidated accounts of Sino-Ocean; and (ii) may be terminated by written consent of the parties thereto. In the event of and upon any Licensor ceasing to be the registered owner of any of the relevant trademarks, such trademark(s) shall be deemed to be excluded from the Trademark Licensing Agreement. Our Directors and the joint sponsors in connection with the global offering of the Company are of the view that entering into the Trademark Licensing Agreement with a duration of over three years is in line with the normal business practice for agreements of this type as comparable contractual arrangements have similar long-term arrangements, and our Directors believe that such long duration will promote the stability of operations of our Group and is beneficial to our Shareholders as a whole.

2. Master Administrative Services Agreement (disclosed in the Prospectus)

On 27 November 2020, our Company entered into an agreement (the "Master Administrative Services Agreement") with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) pursuant to which the Sino-Ocean Connected Persons agreed to provide administrative services including but not limited to secretarial (including the company secretarial services), legal and staff training services to our Group on a cost basis. The Master Administrative Services Agreement took effect upon the Listing Date and will expire on 31 December 2022, and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Administrative Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

3. Master Operational Support Services Agreement (disclosed in the Prospectus)

On 27 November 2020, our Company entered into an agreement (the "Master Operational Support Services Agreement") with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the purchase of operational support services (such as catering services, engineering services and other support services to support our business operations) by our Group from the Sino-Ocean Connected Persons. The Master Operational Support Services Agreement took effect upon the Listing Date and will expire on 31 December 2022, and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Operational Support Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees of the operational support services payable by us to the Sino-Ocean Connected Persons will be determined on arm's length basis with reference to (i) the cost paid by the Sino-Ocean Connected Persons to their independent suppliers and/or their labor costs based on relevant man hours; or (ii) where available, the prevailing market prices charged by the Sino-Ocean Connected Persons to other customers for the same or similar services. We will, where applicable, request the relevant Sino-Ocean Connected Person to provide us with the terms of contemporaneous transactions between the relevant Sino-Ocean Connected Person and its independent customers for the same or similar services, in order to ensure that the fees charged by the relevant Sino-Ocean Connected Person to us are fair and reasonable to our Group.

The annual caps in respect of the transactions contemplated under the Master Operational Support Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Purchase amount	8,689	10,127	11,852

For the year ended 31 December 2020, the transaction amount of the above transaction did not exceed the respective annual cap.

4. Master Properties Leasing Agreement (disclosed in the Prospectus)

On 27 November 2020, our Company entered into an agreement (the "Master Properties Leasing Agreement") with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the leasing and licensing of properties by the Sino-Ocean Connected Persons to our Group which is exempt from recognition as right-of-use assets under HKFRS 16. The Master Properties Leasing Agreement took effect upon the Listing Date and will expire on 31 December 2022, and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Properties Leasing Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The rent payable by our Group to the Sino-Ocean Connected Persons under the Master Properties Leasing Agreement will be determined on arm's length basis with reference to (i) in respect of properties for our self-use/operation, the prevailing market rent of similar properties in the vicinity; and (ii) in respect of properties for sub-leasing to our independent customers, the prevailing market rent of similar properties in similar locations with a discount thereon to be agreed on arm's length basis by taking into account the expected costs (including, among others, labor costs, administrative costs and maintenance costs) of our Group in relation to the sub-leasing of the relevant properties to our independent customers.

The annual caps in respect of the transactions contemplated under the Master Properties Leasing Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Rent	18,827	28,240	42,360

For the year ended 31 December 2020, the transaction amount of the above transaction did not exceed the respective annual cap.

5. Master Property Management Services Agreement (disclosed in the Prospectus)

On 27 November 2020, our Company entered into an agreement (the "Master Property Management Services Agreement") with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the provision of property management services (such as security, cleaning, greening, gardening and repair and maintenance services), by our Group to the Sino-Ocean Connected Persons in respect of (i) property units developed by the Sino-Ocean Connected Persons which have been completed and are either unsold or sold but not yet delivered to the buyers of such property units; and (ii) commercial properties, office buildings and carpark spaces owned, used or operated by the Sino-Ocean Connected Persons. The Master Property Management Services Agreement took effect upon the Listing Date and will expire on 31 December 2022 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Property Management Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees payable by the Sino-Ocean Connected Persons to our Group under the Master Property Management Services Agreement will be determined on arm's length basis with reference to (i) the nature, size and location of the relevant properties; (ii) the scope of the property management services; (iii) our expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the property management services; and (iv) the fees charged by other property management service providers for similar services in respect of similar types of properties in the market. The fees charged by us to the Sino-Ocean Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by us to the Sino-Ocean Connected Persons shall not be less favorable to our Group than terms offered by us to our independent customers for the same or similar type and scope of property management services.

The annual caps in respect of the transactions contemplated under the Master Property Management Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Sales amount	139,571	210,228	256,420

For the year ended 31 December 2020, the transaction amount of the above transaction did not exceed the respective annual cap.

6. Master Pre-delivery Services Agreement (disclosed in the Prospectus)

On 27 November 2020, our Company entered into an agreement (the "Master Pre-delivery Services Agreement") with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the provision of pre-delivery services (such as on-site cleaning, security inspection, repair and maintenance, parking management and other customer related services) by our Group to the Sino-Ocean Connected Persons. The Master Pre-delivery Services Agreement took effect upon the Listing Date and will expire on 31 December 2022 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Pre-delivery Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees payable by the Sino-Ocean Connected Persons to our Group under the Master Pre-delivery Services Agreement will be determined on arm's length basis with reference to (i) the scope of the pre-delivery services; (ii) our expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the pre-delivery services; and (iii) the fees charged by other pre-delivery service providers for similar services in the market. The terms offered by us to the Sino-Ocean Connected Persons shall not be less favorable to our Group than terms offered by us to our independent customers for the same or similar type and scope of pre-delivery services.

The annual caps in respect of the transactions contemplated under the Master Pre-delivery Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Sales amount	161,732	177,905	195,696

For the year ended 31 December 2020, the transaction amount of the above transaction did not exceed the respective annual cap.

7. Master Consultancy and Other Value-added Services Agreement (disclosed in the Prospectus)

On 27 November 2020, our Company entered into an agreement (the "Master Consultancy and Other Value-added Services Agreement") with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the provision of value-added services, which mainly included (i) consultancy services, such as advisory services on overall project design and planning and coordination of pre-sale activities; and (ii) property engineering and repair and maintenance services, by our Group to the Sino-Ocean Connected Persons. The Master Consultancy and Other Value-added Services Agreement took effect upon the Listing Date and will expire on 31 December 2022 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Consultancy and Other Value-added Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees payable by the Sino-Ocean Connected Persons to our Group under the Master Consultancy and Other Value-added Services Agreement will be determined on arm's length basis with reference to (i) where applicable, the fees charged by us to our independent customers for the same or similar type and scope of value-added services; or (ii) where our Group has not provided the same or similar type and scope of value-added services to our independent customers, our expected costs (including, among others, labor costs, material costs and administrative costs) of providing the relevant services plus a profit margin of not less than 10%. The terms offered by us to the Sino-Ocean Connected Persons shall not be less favorable to our Group than terms offered by us to our independent customers for the same or similar type and scope of value-added services, where applicable.

The annual caps in respect of the transactions contemplated under the Master Consultancy and Other Value-added Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Sales amount	140,695	275,695	354,495

For the year ended 31 December 2020, the transaction amount of the above transaction did not exceed the respective annual cap.

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the respective Agreements governing the above continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the auditors of the Company has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions under the Agreements which took place during the year:

(1) have not been approved by the Board;

(2) (for transaction involving the provision of goods or services by the Group) were not, in all material respects, in accordance with the pricing policies of the Group;

(3) were not entered into, in all material respects, in accordance with the relevant Agreements governing the transactions; and

(4) have exceeded the respective annual caps.

A summary of significant related party transactions entered into by the Group during the year under review is contained in note 36 to the consolidated financial statements of this annual report. Save as disclosed above, the related party transactions described in the aforementioned note do not fall within the definition of 'connected transaction' or 'continuing connected transaction' under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

Sufficient public float

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

Auditors

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for reappointment, at the forthcoming AGM.

Pre-emptive rights

There is no provision for pre-emptive rights under the Articles or the law of the Cayman Islands, being the jurisdiction in which the Company is incorporated, under which the Company would be obliged to offer new shares on a pro-rata basis to the existing Shareholders.

Consulting professional tax advisers

Shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Company's shares.

Events after the balance sheet date

As at the date of this report, there is no material subsequent event after the balance sheet date.

By order of the Board

YANG Deyong
Joint Chairman

Hong Kong, 19 March 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the first Corporate Governance Report of the Company for the period from 17 December 2020 (the "Listing Date") to 31 December 2020 (the "Relevant Period").

Commitment to corporate governance

The board (the "Board") of directors (the "Directors") and the management of Sino-Ocean Service Holding Limited (the "Company") and its subsidiaries (the "Group") are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company. The management of the Group also actively observes the latest corporate governance developments in Hong Kong and overseas.

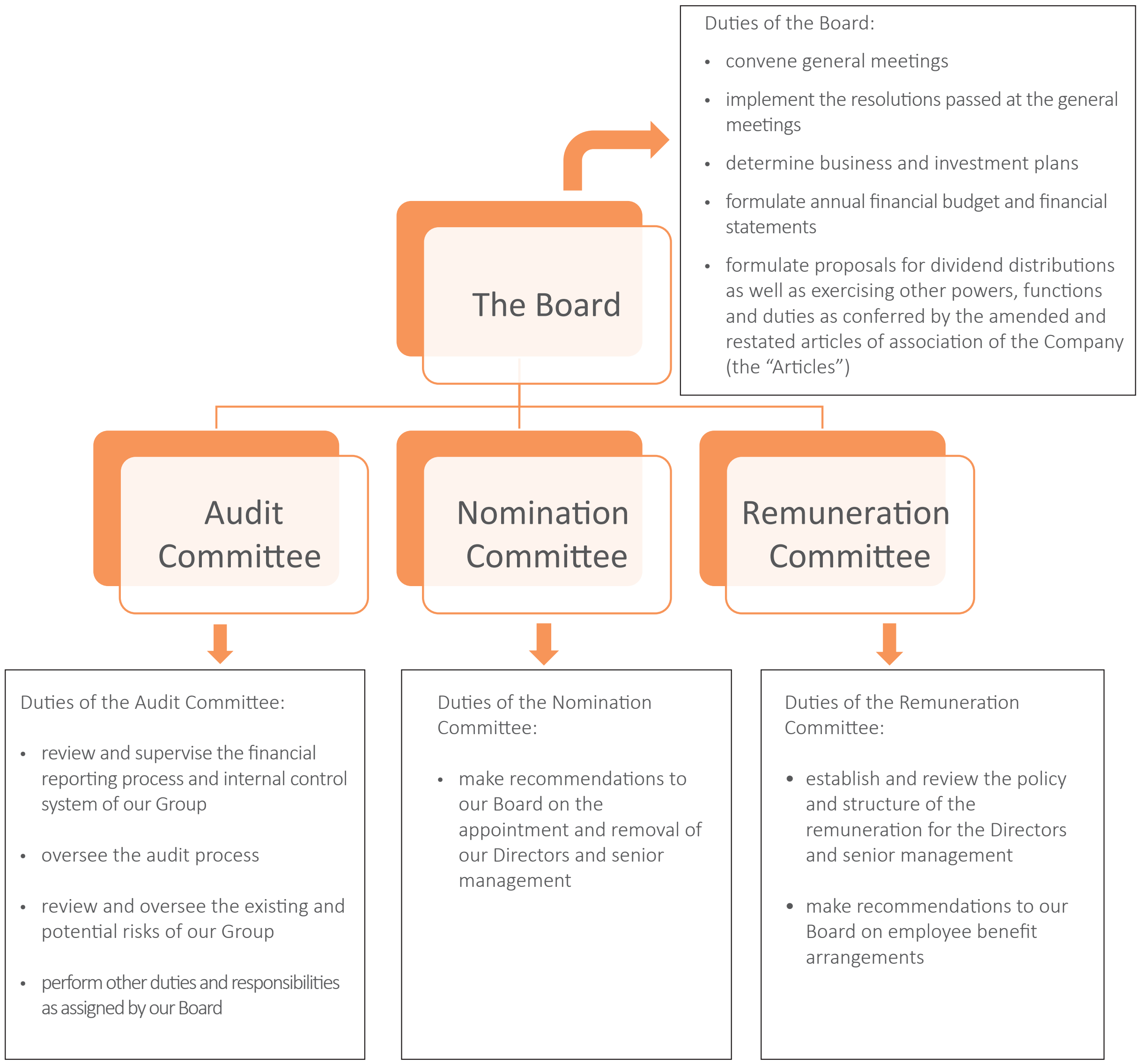
Corporate governance practices

In the opinion of the Board, the Company had applied the principles and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Relevant Period under review, except for the deviations as disclosed herein.

The positions of the joint chairman of the Board (the "Joint Chairman") are held by Mr. YANG Deyong and Mr. CUI Hongjie, while Mr. YANG Deyong also performs the duties of the chief executive officer of the Company (the "Chief Executive Officer"). The Joint Chairman provides leadership, guidance for the Board and ensures the effectiveness of the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. The Joint Chairman is also responsible for formulating the overall strategies and policies of the Company and monitoring their implementation.

The code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, Mr. YANG Deyong's in-depth knowledge of the operations of the Group and of the industry, his extensive business network and connections in the sector and the scope of operations of the Group, the Board believes that Mr. YANG Deyong, in his dual capacity as the Joint Chairman and the Chief Executive Officer, will provide realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company, and the Board also believes that this structure is in the best interest of the Company.

The Board has established a governance structure by setting up of three Board committees, namely audit committee, nomination committee and remuneration committee to perform the functions of the Board.



Directors' and relevant employees' securities transactions

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

Change in directors' information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors required to be disclosed are set out below: Mr. ZHU Lin was appointed as an independent director of Sinostar Cable Co., Ltd., a company listed on the Shenzhen Stock Exchange ChiNext on 22 January 2021.

The Board

Responsibilities

The Board, led by the Joint Chairmen, is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders (the "Shareholders") as a whole. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

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

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Code of Conduct applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

Board composition

As at 31 December 2020, the Board comprised seven Directors, including two Executive Directors, Mr. YANG Deyong (Joint Chairman) and Ms. ZHU Geying; two Non-executive Directors, Mr. CUI Hongjie (Joint Chairman) and Mr. ZHU Xiaoxing; and three Independent Non-executive Directors (the "INEDs"), Dr. GUO Jie, Dr. XUE Jun and Mr. ZHU Lin. An updated list of the Directors and their roles and functions is published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Composition of the Board is also disclosed, and the INEDs are identified, in all corporate communications to the Shareholders.

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

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

(i) Joint Chairman and Chief Executive Officer

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

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

The functions of Non-executive Directors should include:

(a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the audit, remuneration and nomination committees, if invited; and

(d) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Non-executive Directors (including INEDs) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the board committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

The Company has received annual confirmations from all INEDs, namely Dr. GUO Jie, Dr. XUE Jun and Mr. ZHU Lin, in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs are independent parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgements.

Mr. CUI Hongjie (appointed as a Joint Chairman and Non-executive Director on 1 September 2020) and Mr. ZHU Xiaoxing (appointed as a Director on 15 April 2020 and was later re-designated as a Non-executive Director on 1 September 2020), all are Non-executive Directors, have agreed not to receive the Director's fees during the Relevant Period under review.

Appointment, re-election and removal of Directors

The Directors give sufficient time and attention to the affairs of the Company. All Directors are required to disclose to the Company at the time of their appointment and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments.

Pursuant to the letters of appointment dated 25 November 2020, all Non-executive Directors and INEDs are appointed for an initial term of one year subject to retirement by rotation and re-election at annual general meetings of the Company ("AGMs") in accordance with the Articles.

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

Meetings

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. The Company has adopted the practice of holding Board meetings regularly. As the Company was listed on 17 December 2020, the Board did not have any matters to discuss during the period from the Listing Date to 31 December 2020, which is less than one month, and no Board meeting or general meeting of the Company was held during the Relevant Period. The Company will fully comply with the requirement under the code provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

As the Company was listed on 17 December 2020, there was no annual general meeting held during the Relevant Period.

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

The agenda of Board meetings are set after consultation with a Joint Chairman. All Directors are given an opportunity to include matters in the agenda. The agenda accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions, are given to all Directors in a timely manner. All Directors are properly briefed on issues arising at any Board meetings by a Joint Chairman.

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

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

Where a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would only be dealt with by a Board meeting. INEDs who, and whose close associates, have no material interest in the transaction would be present at such Board meeting.

The Joint Chairmen promote a culture of openness and actively encourage Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions. The Joint Chairmen will meet with the INEDs at least annually without the presence of other Directors.

Training for Directors

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

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

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

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

Directors	Type of trainings
Mr. YANG Deyong (appointed on 1 September 2020)	A/C
Ms. ZHU Geying (appointed on 1 September 2020)	A/C
Mr. CUI Hongjie (appointed on 1 September 2020)	A/C
Mr. ZHU Xiaoxing (appointed as a director on 15 April 2020 and re-designated as a non-executive director on 1 September 2020)	A/C
Dr. GUO Jie (appointed on 25 November 2020)	A/C
Dr. XUE Jun (appointed on 25 November 2020)	A/C
Mr. ZHU Lin (appointed on 25 November 2020)	A/C

A: attending seminars, conferences and/or forums

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

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

Directors' and officers' liability insurance and indemnity

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

Board committees

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

Audit committee

The audit committee of the Company (the "Audit Committee") consists of three INEDs and two Non-executive Directors, namely Mr. ZHU Lin, Dr. GUO Jie, Dr. XUE Jun, Mr. CUI Hongjie and Mr. ZHU Xiaoxing. Mr. ZHU Lin, who has professional qualification in accountancy, is the Chairman of the Audit Committee. None of them is a partner or former partner in the preceding two years of the existing auditors of the Company, or has or had in the preceding two years any financial interest in the firm.

The main duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, review the Group's financial information, consider the appointment, independence and remuneration of the auditors and any matters related to the removal and resignation of the auditors, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

As the Company was listed on the Stock Exchange on 17 December 2020, the Audit Committee did not have any matter to discuss or convene any meetings during the Relevant Period.

Remuneration committee

The remuneration committee of the Company (the "Remuneration Committee") comprises three members, being two INEDs, namely Dr. XUE Jun (the Chairman of the Remuneration Committee) and Dr. GUO Jie, and one Executive Director, Mr. YANG Deyong.

The main duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management of the Company and make recommendations to our Board on employee benefit arrangements. The Remuneration Committee may consult the Joint Chairmen about their remuneration proposals for other Executive Directors.

The Remuneration Committee is responsible for assessing performance of Executive Directors, making recommendations to the Board on the remuneration package and incentive payment of Executive Directors and senior management, including benefits in kind, pension rights and compensation payments. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The remuneration of Directors is determined with reference to their experience, qualifications, responsibilities involved in the Company and the prevailing market conditions. Details of emoluments of Directors for the year under review are set out in note 38 to the consolidated financial statements. The emoluments paid to senior management during the year under review were within the following bands:

	Number of senior management
Nil to RMB1,000,000	–
RMB1,000,001 to RMB2,000,000	3
RMB2,000,001 or above	–

As the Company was listed on the Stock Exchange on 17 December 2020, the Remuneration Committee did not have any matter to discuss or convene any meetings during the Relevant Period.

Nomination committee

The nomination committee of the Company (the "Nomination Committee") comprises five members, being an Executive Director, Mr. YANG Deyong, a Non-executive Director, Mr. CUI Hongjie and three INEDs, namely Dr. GUO Jie, Dr. XUE Jun and Mr. ZHU Lin. Mr. YANG Deyong is the Chairman of the Nomination Committee.

The main duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of our Directors and senior management. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

As the Company was listed on the Stock Exchange on 17 December 2020, the Nomination Committee did not have any matter to discuss or convene any meetings during the Relevant Period.

Summary of nomination policy under Nomination Committee

The purpose of the Nomination Policy is to set out the selection criteria and procedure for the selection, appointment and reappointment of Directors.

In assessing the suitability of a proposed candidate, the factors which would be used as reference by the Nomination Committee include but not limit to the following:

- reputation for integrity
- accomplishment and experience in the industry
- commitment in respect of available time and relevant interest
- diversity of the Board in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge, industry or other experience, expertise, independence and length of service

Member(s) of the Nomination Committee shall convene a meeting of the Nomination Committee and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members. For filling a casual vacancy or appointing an addition Director, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations or recommendation to the Board for its consideration. A circular containing the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information as required pursuant to the applicable laws, rules and regulations, of the proposed candidates nominated by the Board to stand for election or re-election at a general meeting will be sent to Shareholders. A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Summary of board diversity policy under Nomination Committee

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors, in terms of gender, age, cultural and educational background, professional experience, skills, knowledge, industry or other experience, expertise, independence and length of service. These differences will be taken into account in determining the optimum composition of the Board. The Company will also take into account factors based on its business model and specific needs from time to time. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

The Nomination Committee will review annually on the composition of the Board under diversified perspectives, and monitor the implementation of this policy to ensure the effectiveness of this policy. As at the date of this report, the Board comprises seven Directors, one of which is female member. The Board is also characterised by significant diversity, in terms of gender, professional background and skills.

Company Secretary

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

Accountability and audit

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

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2020 is set out in the Independent Auditor's Report on pages 69 to 74 of this annual report.

Risk management and internal controls

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

Independent auditor

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). PwC is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

PwC was also appointed as the Reporting Accountant in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PwC for the year ended 31 December 2020 are set out in the table below:

Service rendered	RMB ('000)
Audit services:	
Annual audit	2,600
Non-audit services:	
Reporting accountant services	5,600
Other non-audit services in respect of the listing	760
Other services	429

Constitutional documents

On 25 November 2020, the Company adopted the amended and restated memorandum and articles of association, effective on the Listing Date. There was no change in the Company's amended and restated memorandum and articles of association during the Relevant Period.

Shareholders' rights and communication

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

An AGM must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the rules of the Stock Exchange, a general meeting may be called by shorter notice, subject to the Cayman Islands companies law, if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all the members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent. (95%) of the total voting rights at the meeting of all the members.

Pursuant to the Articles, (i) if at any time there are not sufficient Directors capable of acting to form a quorum, any one Director or any two or more Shareholder(s) representing at least 10% of the total voting rights of all Shareholders having a right to vote at general meetings may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors, and (ii) any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

The Joint Chairmen ensure that appropriate steps are taken to provide effective communication with the Shareholders and that their views are communicated to the Board as a whole. The Board has adopted a shareholders communication policy reflecting the current practices of the Company for communication with the Shareholders. Such policy aims at ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner and to enhance communication between the Company and the Shareholders.

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster two-way communication amongst the Company, the Shareholders and potential investors, the Company has also established an Investor Relations Department and provided email (ir@sinooceanservice.com) to respond to enquiries from Shareholders and the public. In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the Shareholders and the public.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Sino-Ocean Service Holding Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Sino-Ocean Service Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 155, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

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

Key Audit Matters

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

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

- Loss allowances assessment of trade receivables
- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Loss allowances assessment of trade receivables Refer to Note 4(a) "Critical accounting estimates and judgements" and Note 22 "Trade and note receivables" to the consolidated financial statements. As at 31 December 2020, the gross amount of trade receivables of the Group amounted to approximately RMB396,412,000, which represented approximately 13% of the total assets of the Group. Management has assessed the expected credit losses of trade receivables and recognised provision for loss allowance of approximately RMB80,942,000 on these trade receivables as of 31 December 2020. Provision for loss allowances of trade receivables was made based on an assessment of the lifetime expected credit losses, including an assessment of the risk of default and the expected loss rate. In performing the assessment, management considered the credit quality of debtors by considering their historical observed default rates, financial position, ageing profile of receivable balances, and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period.	We have performed the following procedures to address this key audit matter: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood, evaluated and tested the key controls relating to management's assessment on the expected credit losses of trade receivables; • Evaluated the outcome of prior period assessment of provision for loss allowances of trade receivables to assess the effectiveness of management's estimation process by comparing the expected credit losses in the prior year to the actual collection performance of debtors in the current year; • Evaluated the appropriateness of the credit loss provisioning methodology and the reasonableness of key assumptions adopted by management with the involvement of our internal valuation specialists.

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on auditing the loss allowances assessment of trade receivables because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the loss allowances assessment of trade receivables is considered significant due to the subjectivity of significant assumptions and estimates used.	• Obtained management's assessment on the expected credit losses of trade receivables, assessed its reasonableness by considering financial position of debtors, the historical settlement pattern of debtors and ageing profile of receivable balances, evaluated adjustment made to the historical loss rates based on current economic conditions and forward-looking information by reference to our research on related industry, market and macroeconomic data; • Tested, on a sample basis, the accuracy of the ageing analysis of trade receivables prepared by management to credit terms in sales contracts, billings/invoices, cash receipts and related supporting documents; • Checked the mathematical accuracy of the calculation of the loss allowances of trade receivables; and • Tested, on a sample basis, the subsequent settlement of trade receivables to cash receipts and the related supporting documents. Based on the above, we considered that the significant judgments and estimates made by management in relation to the provision for loss allowance of trade receivables were supportable by the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to Note 4(b) "Critical accounting estimates and judgements" and Note 18 "Intangible assets" to the consolidated financial statements. As at 31 December 2020, the Group has recognised goodwill of approximately RMB54,804,000 as arisen from the Group's acquisitions of subsidiaries (the "subsidiaries") in prior years. For the purpose of impairment assessment, management has allocated the goodwill to respective subsidiaries considering that each of these subsidiaries is operating and generating cash flows independently and hence was considered as an individual cash-generating unit. Management assessed the recoverable amounts of major subsidiaries with the assistance of an independent external valuer. The recoverable amounts were determined based on a value-in-use ("VIU") calculations. VIU is evaluated by discounting the cash flow projections of the relevant subsidiaries based on the approved financial budgets of the respective subsidiaries. The key assumptions as adopted in the impairment assessment mainly including (i) annual revenue growth rate, (ii) gross margin; and (iii) discount rate. We focused on auditing the impairment assessment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to subjectivity of significant assumptions and estimates used.	We have performed the following procedures to address this key audit matter: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated the competency, capabilities and objectivity of the independent external valuer by checking the valuer's related qualification and credentials in similar impairment assessment projects; • Evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation specialists; • Assessed the reasonableness of the key assumptions adopted by management by (i) assessing the discount rates by reference to comparable market data; (ii) evaluating the reasonableness of the key assumptions used in the cash flow forecasts, including annual revenue growth rates and gross margins, taking into account the approved budgets, historical financial data and current business plans of the respective subsidiaries; • Evaluated the historical estimation accuracy of the cash flow forecast by, comparing the forecast used in the prior year to the actual performance of the subsidiaries' businesses in the current year; • Checked the mathematical accuracy of the calculations of the goodwill impairment assessment; and • Evaluated the reasonableness of the sensitivity analysis performed by management on the main key assumptions to understand the impact of reasonable changes in such assumptions on the recoverable amounts. Based on the above, we considered that the significant judgments and estimates made by management in relation to the impairment assessment of goodwill were supportable by the evidences obtained and procedures performed.

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	6	2,023,319	1,829,575
Cost of sales	6, 9	(1,512,018)	(1,452,896)
Gross profit		511,301	376,679
Selling and marketing expenses	9	(15,730)	(9,002)
Administrative expenses	9	(182,838)	(143,878)
Net impairment losses on financial assets		(31,177)	(14,186)
Other income	7	173,488	225,397
Other (losses)/gains, net	8	(10,154)	3,093
Fair value gains on investment properties	16	602	1,085
Operating profit		445,492	439,188
Finance costs	11	(131,430)	(173,117)
Share of results in joint ventures	13	16,105	333
Profit before income tax		330,167	266,404
Income tax expense	14	(67,610)	(61,128)
Profit for the year		262,557	205,276
Other comprehensive income		–	–
Profit and total comprehensive income for the year		262,557	205,276
Profit and total comprehensive income attributable to:			
— Owners of the Company		257,634	206,504
— Non-controlling interests		4,923	(1,228)
		262,557	205,276
Earnings per share for profit attributable to the owners of the Company			
— Basic and diluted (expressed in RMB per share)	15	0.29	0.23

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of 31 December	
		2020	2019
		RMB'000	RMB'000
Assets			
Non-current assets			
Investment properties	16	85,496	84,894
Property, plant and equipment	17	20,221	25,280
Intangible assets	18	107,033	112,438
Right-of-use assets	19	15,217	4,280
Investments in joint ventures	13	119,290	22,100
Loans and interest receivables due from related parties	24	–	2,856,000
Deferred income tax assets	32	16,659	17,779
Total non-current assets		363,916	3,122,771
Current assets			
Inventories	21	122,886	134,825
Trade and note receivables	22	315,470	363,659
Prepayments and other receivables	23	114,743	94,286
Financial assets at fair value through profit or loss	25	–	17,835
Restricted bank deposits	26	338	154
Cash and cash equivalents	26	2,175,019	423,413
Total current assets		2,728,456	1,034,172
Total assets		3,092,372	4,156,943
Equity			
Equity attributable to owners of the Company			
Share capital	27	99,829	–
Reserves	28	1,703,440	163,486
Retained earnings	29	225,114	254,452
		2,028,383	417,938
Non-controlling interests		22,922	22,328
Total equity		2,051,305	440,266

	Note	As of 31 December 2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	31	–	2,142,008
Trade and other payables	30	8,526	7,783
Lease liabilities	19	4,393	705
Deferred income tax liabilities	32	12,543	13,759
Total non-current liabilities		25,462	2,164,255
Current liabilities			
Borrowings	31	–	403,974
Trade and other payables	30	651,304	799,948
Contract liabilities		327,943	304,055
Lease liabilities	19	8,338	3,753
Current tax liabilities		28,020	40,692
Total current liabilities		1,015,605	1,552,422
Total liabilities		1,041,067	3,716,677
Total equity and liabilities		3,092,372	4,156,943

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 75 to 155 were approved by the Board of Directors on 19 March 2021 and were signed on its behalf.

Yang Deyong
Executive Director

Zhu Geying
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Statutory Reserve	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		–	13,108	150,378	254,452	417,938	22,328	440,266
Comprehensive income								
Profit for the year		–	–	–	257,634	257,634	4,923	262,557
Transactions with owners in their capacity as owners								
Capital Injection	27, 28	10	–	326,270	–	326,280	–	326,280
Issue of ordinary shares pursuant to initial public offering	27, 28	24,958	–	1,401,356	–	1,426,314	–	1,426,314
Capitalization issue	27, 28	74,861	–	(74,861)	–	–	–	–
Deemed distribution	28	–	–	(185,000)	–	(185,000)	–	(185,000)
Contribution from the ultimate holding company	28	–	–	73,005	–	73,005	–	73,005
Dividends	33	–	–	–	(286,972)	(286,972)	(5,145)	(292,117)
Transaction with non-controlling interests	28	–	–	(816)	–	(816)	816	–
Balance at 31 December 2020		99,829	13,108	1,690,332	225,114	2,028,383	22,922	2,051,305
Balance at 1 January 2019		–	10,319	150,378	340,245	500,942	28,943	529,885
Comprehensive income								
Profit for the year		–	–	–	206,504	206,504	(1,228)	205,276
Transactions with owners in their capacity as owners								
Appropriation of statutory reserve	28	–	2,789	–	(2,789)	–	–	–
Dividends	33	–	–	–	(289,508)	(289,508)	(5,387)	(294,895)
Balance at 31 December 2019		–	13,108	150,378	254,452	417,938	22,328	440,266

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	441,728	257,915
Income tax paid		(80,378)	(51,301)
Net cash generated from operating activities		361,350	206,614
Cash flows from investing activities			
Purchases of property, plant and equipment	17	(6,268)	(11,182)
Proceeds from sale of property, plant and equipment		1,068	349
Purchase of intangible assets	18	(2,768)	(3,029)
Proceeds from sale of intangible assets		72	–
Purchases of financial assets at fair value through profit or loss		(1,100,000)	(784,800)
Redemption of financial assets at fair value through profit or loss		1,120,898	770,131
Deemed distribution	28(c)	(185,000)	–
Proceeds of disposal of a subsidiary		–	379
Loan advanced to an entity controlled by the ultimate holding company	36(b)	–	(2,856,000)
Repayment of entrusted loan from an entity controlled by the ultimate holding company	36(b)	2,856,000	–
Repayment of amount due from an entity controlled by the ultimate holding company	36(b)	–	3,089,189
Interest received		147,363	214,330
Acquisition of joint controlled entities	13(a)	(8,080)	–
Net cash generated from investing activities		2,823,285	419,367

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares	27(d)	1,467,468	–
Listing expenses paid		(58,251)	–
Capital injection	28	326,280	–
Dividends		(286,972)	(294,895)
Dividends paid to non-controlling interests		(1,000)	–
Amount advanced from an entity controlled by the ultimate holding company		113,340	128,841
Repayment to an entity controlled by the ultimate holding company		(259,470)	–
Repayments of borrowings		(2,549,974)	(267,016)
Interest paid		(162,798)	(174,015)
Payments of lease liabilities	19(c)	(8,297)	(10,106)
Net cash used in financing activities		(1,419,674)	(617,191)
Net increase in cash and cash equivalents		1,764,961	8,790
Cash and cash equivalents at beginning of the year	26	423,413	414,623
Exchange losses on cash and cash equivalents		(13,355)	–
Cash and cash equivalents at end of the year		2,175,019	423,413

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Sino-Ocean Service Holding Limited ("the Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) on 15 April 2020. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 December 2020 (the "Listing").

The Company is an investment holding company. The Company and its subsidiaries (together "the Group") are primarily engaged in the provision of property management services, value-added services to non-property owners and community value-added services in the People's Republic of China (the PRC).

The Company's immediate holding company is Shine Wind Development Limited ("Shine Wind"), which was incorporated with limited liability in the British Virgin Islands ("BVI"). Its ultimate holding company is Sino-Ocean Group Holding Limited ("Sino-Ocean Group"), a limited liability company incorporated in Hong Kong on 12 March 2007, and its shares are listed on the main board of the Stock Exchange.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2021.

The outbreak of the 2019 Novel Coronavirus ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of property management. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments not yet adopted

New standards and amendments that have been issued but not yet effective on 1 January 2020 and not been early adopted by the Group are as follows:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16 – Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 37 – Onerous contracts – Cost of fulfilling a contract	1 January 2022
Annual Improvements – Annual Improvements to HKFRS standard 2018-2020	1 January 2022
Amendments to HKAS 16 – Property, plant and equipment-proceeds before intended use	1 January 2022
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
HKFRS 17 – Insurance contract	1 January 2023
Amendments to HKAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company are of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

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

(a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any equity interest in the subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Contingent consideration is classified either as a financial asset or a financial liability. Amounts classified as a financial asset or liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

(b) Business combinations under common control

The acquisitions of subsidiaries under common control have been accounted for using the merger method of accounting. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or the excess of the acquirees' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The Consolidated Statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.2 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method as disclosed below in Note 2.2.3.

2.2.3 Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.4 Changes in ownership interests (Continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

2 Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other (losses)/gains, net.

2.6 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	Estimated useful lives	Estimated net residual value
– Buildings	5-50 years	5%
– Vehicles	8 years	0-5%
– Plant and machinery	3 years	0-5%
– Office equipment	5 years	0-5%
– Electronic equipment	3-5 years	0-5%
– Leasehold improvement	Estimated useful lives or remaining lease terms whichever is shorter	0%

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.7 Investment properties

Investment properties, principally community facility and carpark spaces, are held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are measured at their fair values. Changes in the fair value of investment properties are presented in the consolidated statement of comprehensive income.

2.8 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

2 Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(b) Trademarks

Separately acquired trademarks are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 13 years, with reference to the remaining useful life of trademarks on the acquisition date plus the expected useful life of trademarks after renewed.

(c) Property management contracts and customer relationship

Property management contracts and customer relationship acquired in business combinations are recognized at fair value at the acquisition date. The property management contracts and customer relationship have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful lives of the contracts (7.75 to 10 years).

(d) Computer software

Acquired computer software programs are recognized on the basis of the costs incurred to acquire and bring to use the specific software. Taking into account of the continuity, the stability and simplicity of the service provided by the Group and the past experience of the actual useful life of computer software, these costs are amortized over their estimated useful lives (5 to 10 years).

2.9 Impairment of non-financial assets

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies (Continued)

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other (losses)/gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other (losses)/gains, net. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other (losses)/gains, net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other (losses)/gains, net in the period in which it arises.

2 Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

2.10.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade and note receivables, the Group applies the simplified approach permitted by Financial Instruments ("HKFRS 9") , which requires expected lifetime losses to be recognized from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade and note receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.10.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is measured by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and note receivables

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

Trade and note receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and note receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. For details of Group's accounting for trade and note receivables and description of the Group's impairment policies, see Note 3.1.2 and 22.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, 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 Summary of significant accounting policies (Continued)

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payables

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

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in Consolidated Statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized 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 capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the Consolidated Statement of financial position when the obligation specified in the contract is discharged, canceled 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 recognized 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 recognized 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and joint ventures operate and generate taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period 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 if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, 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.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2 Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

(b) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

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

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. Benefits falling due within 12 months after the end of the reporting period are recognized in other payables.

(e) Employee leave entitlements

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

2 Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

(f) Bonus entitlements

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

2.19 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.20 Revenue recognition

The Group provides property management services, value-added services to non-property owners and community value-added services. Revenue from providing services is recognized in the accounting period in which the services are rendered.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standard-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

2 Summary of significant accounting policies (Continued)

2.20 Revenue recognition (Continued)

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Property Management Services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group is primary responsible for providing the property management services to the property owners, the Group recognizes the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

For property management services income from properties managed under commission basis, where the Group recognizes the commission, which is calculated by a pre-determined amount of the property management fee received or receivable from the properties units as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Value-added services to non-property owners

Value-added services to non-property owners mainly includes pre-delivery services to property developers, consultancy services and property engineering services. The Group agrees the price for each service with the customers upfront and issues the monthly bill to customers which varies based on the actual level of service completed in that month.

Community value-added services

Community value-added services mainly includes (i) Property brokerage services in relation to commission income from sales and rental of secondhand properties, which is billed to property owners and third parties immediately upon the services are provided and is recognized on a net basis at point in time; (ii) Revenue from community asset value-added services, which is recognized over the time when such services are rendered; (iii) Revenue from community living services are charged for each service provided and recognized when the relevant services are rendered; (iv) Revenue from sales of carpark spaces is recognized when the control of the use rights of carpark spaces is transferred to the customer and is billable immediately.

2.21 Interest income

Interest income from financial assets measured at fair value is included in the net fair value gains on these assets.

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the Consolidated Statement of comprehensive income as part of other income.

Interest income is presented as other income where it is earned from financial assets that are held for cash management purposes, see Note 7 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 Summary of significant accounting policies (Continued)

2.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Lease

(a) The Group as a lessee

The Group leases certain properties. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

2 Summary of significant accounting policies (Continued)

2.23 Lease (Continued)

(a) The Group as a lessee (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(b) The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease.

The lease receivable under lease arrangements are recognized as "other receivables" in the consolidated statement of financial position.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to income that compensate the incurred costs, expenses or losses are recognized in profit or loss, directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

3 Financial risk management

3.1 Financial risk factors

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

3.1.1 Fair value interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Borrowings issued at fixed rates and lease liabilities expose the Group to fair value interest rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than cash and cash equivalents and interest-bearing cash advance ("the interest-bearing assets") to related parties, the Group has no other significant interest bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of the interest-bearing assets are not expected to change significantly.

As of 31 December 2020 and 2019, the Group has no floating-interests-rate interest bearing liabilities.

3.1.2 Credit risk

The Group is exposed to credit risk mainly in relation to its trade and note receivables, other receivables, loans and interest receivables due from related parties, cash and cash equivalents and restricted bank deposits. The carrying amounts of trade and note receivables, other receivables, loans and interest receivables due from related parties, cash and cash equivalents and restricted bank deposits represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from nonperformance by these counterparties.

(ii) Trade and note receivables

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners and third-party non-property owner customers with no credit terms, and related party customers. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and note receivables. To measure the expected credit losses, trade and note receivables have been grouped based on shared credit risk characteristics and the aging. The expected credit loss also incorporate forward looking information.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(iii) Loans and interest receivables due from related parties and other receivables due from related parties

The Group expects that the credit risk associated with loans and interest receivables due from related parties and other receivables due from related parties is considered to be low, since related parties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, the impairment provision recognized during the period was limited to 12 months expected losses. The directors believe that there is no material credit risk inherent in loans and interest receivables due from related parties and other receivables due from related parties.

(iv) Other receivables other than those from related parties

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

Forward-looking information incorporated in the expected credit loss model

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the debtor
- significant increases in credit risk on other financial instruments of the individual property owner or the same debtor
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As of 31 December 2020 and 2019, the loss allowance provision for the trade and note receivables and other receivables (excluding prepayments) was determined as follow:

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade and note receivables due from third parties					
At 31 December 2020					
Expected loss rate	6%	21%	38%	99%	27%
Gross carrying amount (RMB’000)	164,619	51,640	34,900	47,403	298,562
Loss allowance provision (RMB’000)	9,877	10,845	13,262	46,929	80,913
At 31 December 2019					
Expected loss rate	1%	27%	48%	97%	24%
Gross carrying amount (RMB’000)	191,479	58,629	37,310	46,220	333,638
Loss allowance provision (RMB’000)	1,976	15,786	17,787	44,882	80,431

The expected credit loss rate for the provision matrix is for trade and note receivables which are mainly related to our property management and related services and other financial assets at amortized cost. As there is no significant change in business operation of property management and related services, actual loss rates for trade and note receivables, customer profile and the adjustment for forward looking macroeconomic data during the years of 2020 and 2019, the change in the expected credit loss rate for the provision matrix is insignificant during the year of 2020 and 2019.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

		As of 31 December			
		2020		2019	
	Expected Loss Rate	Gross Carrying Amount	Loss Allowance Provision	Gross Carrying Amount	Loss Allowance Provision
		RMB'000	RMB'000	RMB'000	RMB'000
Trade and note receivables due from related parties	0.03%	97,850	29	110,483	31

		As of 31 December			
		2020		2019	
	Expected Loss Rate	Gross Carrying Amount	Loss Allowance Provision	Gross Carrying Amount	Loss Allowance Provision
		RMB'000	RMB'000	RMB'000	RMB'000
Other receivables other than those from related parties	0.06%	78,285	47	63,380	35
Loans and interest receivables due from related parties and other receivables due from related parties	0.03%	16,380	5	2,868,639	797
		94,665	52	2,932,019	832

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As of 31 December 2020 and 2019, the loss allowance provision for trade and note receivables and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade and note receivables	Other receivables (excluding prepayments)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020	80,462	832	81,294
Provision for loss allowance recognized in profit or loss	31,177	–	31,177
Loss allowance write-off	(30,697)	(780)	(31,477)
At 31 December 2020	80,942	52	80,994
At 1 January 2019	66,848	894	67,742
Provision for loss allowance recognized in profit or loss	14,186	–	14,186
Loss allowance write-off	(572)	(62)	(634)
At 31 December 2019	80,462	832	81,294

As of 31 December 2020, the gross carrying amount of trade and note receivables and other receivables (excluding prepayments) was RMB491,077,000 (2019: RMB520,140,000), and thus the maximum exposure to loss was RMB410,083,000 (2019: RMB438,846,000).

3.1.3 Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is the functional currency of the group companies. Foreign currency transaction mainly included receipts of proceeds from the Listing on the main board of the Stock Exchange and payment of professional fees which are dominated in HK dollar ("HKD") and US dollar ("USD"). As at 31 December 2020, major non-RMB assets are cash and cash equivalents of RMB1,557,556,000 denominated in HKD. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group currently does not have a foreign currency hedging policy, and manage its foreign currency risk by closely monitoring the movement of foreign currency rate.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	As at 31 December			
	2020		2019	
	HKD	USD	HKD	USD
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	1,557,556	7	–	7
	1,557,556	7	–	7

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Foreign exchange risk (Continued)

The aggregate net foreign exchange losses recognized in profit or loss were:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net foreign exchange losses included in other (losses)/gains, net	(13,355)	–

The following table shows the sensitivity analysis of a 5% change in RMB against HKD. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, the effect on the profit for the year is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
5% increase in RMB against HKD	(77,878)	–
5% decrease in RMB against HKD	77,878	–

3.1.4 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.4 Liquidity risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contractual maturities of financial liabilities					
At 31 December 2020					
Borrowings	–	–	–	–	–
Trade and other payables (excluding payroll and welfare payables and other tax payables)	553,415	–	8,526	–	561,941
Lease liabilities	8,437	2,184	2,280	413	13,314
	561,852	2,184	10,806	413	575,255
At 31 December 2019					
Borrowings	553,904	426,812	1,275,271	912,563	3,168,550
Trade and other payables (excluding payroll and welfare payables and other tax payables)	691,926	–	7,783	–	699,709
Lease liabilities	3,894	717	–	–	4,611
	1,249,724	427,529	1,283,054	912,563	3,872,870

3 Financial risk management (Continued)

3.2 Capital management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt (including borrowings and lease liabilities) less cash and cash equivalents.

As of 31 December 2020 and 2019 and the gearing ratio of the Group is as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Total borrowings	–	2,545,982
Lease liabilities	12,731	4,458
Less: cash and cash equivalents	(2,175,019)	(423,413)
Net (cash)/debt	(2,162,288)	2,127,027
Total equity	2,051,305	440,266
Gearing ratio	N/A	483.1%

The Group's gearing ratio was not applicable as of 31 December 2020 due to a net cash position, which was primarily derived from to the repayment of the borrowings and increase in cash and cash equivalents.

4 Critical accounting estimates and judgements

The Group 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 within the next financial year are addressed below.

(a) Loss allowances assessment of trade receivables

The Group makes allowances on trade receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical observed default rates, financial position, ageing profile of receivable balances and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and note receivables, other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(b) Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9, where the recoverable amounts of the CGU is determined based on value-in-use (the "VIU") calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 18.

(c) Estimation of the useful life of property management contracts and customer relationship identified in business combinations

Property management contracts and customers relationships are recognized during two major business combination, which is measured at fair value on the acquisition date. Property management contracts and customers relationship has a finite life and are carried at cost less accumulated amortization. The Director determined the useful life of property management contracts with reference to the term of outstanding contract and the useful life of customer relationship with reference to each existing contract based on contract expiring dates, historical trend of termination or renewal rate, experience in the property management industry and to the useful life of customer relationship used by industry peers. Amortization is calculated using the straight-line method over the expected life of 7.75-10 years.

However, the actual useful life may be shorter or longer than estimate depending on acquirees' ability to secure its contracts and relationships with property developers or renew the contracts with property owners' associations in the future. Where the actual useful life is different from the original estimate, such difference will impact the carrying amount of these intangible assets and the amortization expenses in the periods in which such estimate has been changed.

(d) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

5 Segment information

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors of the Company.

During the reporting period, the Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. Management reviews the operating results of the business by geography but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the years of 2020 and 2019.

As of 31 December 2020 and 2019, all of the non-current assets were located in the PRC.

6 Revenue and cost of sales

Revenue mainly comprises of proceeds from property management services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2020 and 2019 is as follows:

		Year ended 31 December			
		2020		2019	
		Revenue	Cost of sales	Revenue	Cost of sales
		RMB'000	RMB'000	RMB'000	RMB'000
	Revenue from customer and recognized				
Property management services	Over time	1,339,256	1,099,618	1,219,641	1,052,479
Community value-added services	Over time and point in time	316,171	118,831	237,291	95,810
Value-added services to non-property owners	Over time	367,892	293,569	372,643	304,607
		2,023,319	1,512,018	1,829,575	1,452,896

For the year ended 31 December 2020 revenue from entities controlled by Sino-Ocean Group, joint ventures and associates of Sino-Ocean Group and the shareholder of ultimate holding company of the Group contributed 20.4% (2019: 20.4%) of the Group' s revenue. Other than Sino-Ocean Group and it's joint ventures and associates, the Group has a large number of customers, none of whom contributed approximately 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

6 Revenue and cost of sales (Continued)

(a) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities		
– related parties (Note 36(d))	5,920	12,214
– third parties	322,023	291,841
	327,943	304,055

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The increase in contract liabilities was mainly due to the expansion of business activities from self-development.

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Property management services	227,815	254,841
Community value-added services	75,701	38,875
Value-added services to non-property owners	539	62
	304,055	293,778

6 Revenue and cost of sales (Continued)

(a) Contract liabilities (Continued)

(iii) Unsatisfied performance obligations

For property management services, community value-added services and value-added services to non-property owners, the Group recognizes revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

(iv) Assets recognized from incremental cost to obtain a contract

For the years ended 31 December 2020 and 2019, no significant incremental cost occurred to obtain a contract.

7 Other income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants (a)	21,960	9,447
Interest income from bank deposits	3,339	726
Interest income from loans due from related parties (Note 36(b))	147,363	214,330
Others	826	894
	173,488	225,397

(a) Government grants mainly represented financial support funds from local government and additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

8 Other (losses)/gains – net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Fair value gains on financial assets at fair value through profit or loss	3,063	3,166
Gains/(losses) on disposal of property, plant and equipment	142	(71)
Net foreign exchange losses	(13,355)	–
Others	(4)	(2)
	(10,154)	3,093

9 Expenses by nature

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	579,278	595,949
Outsourced security, greening and cleaning expenses	566,258	551,470
Maintenance expenses	158,309	141,138
Utilities	124,917	106,838
Office-related expenses	70,062	73,930
Depreciation and amortization charges (Note 17, Note 18 and Note 19)	27,521	26,916
Cost of consumables and raw materials	72,602	56,706
Cost of selling carpark spaces	11,702	9,982
Taxes and surcharges	10,233	9,321
Community activities expenses	15,730	9,002
Listing expenses	37,512	–
Auditors' remuneration	3,029	1,328
– Audit services	2,600	750
– Non-audit services	429	578
Others	33,433	23,196
	1,710,586	1,605,776

10 Employee benefit expense

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	465,294	438,471
Pension costs (a)	10,573	51,217
Housing funds, medical insurances and other social insurance	60,946	66,757
Other employee benefits (b)	42,465	39,504
	579,278	595,949

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of employee salaries as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The decrease of pension costs was mainly derived from certain exemptions from contributions to the defined contribution retirement scheme by the local government in response to the outbreak of COVID-19.

(b) Other employee benefits mainly include meal, traveling and festival allowances.

(c) Five highest paid individuals

The emoluments of the five highest paid individuals where none of them is director (2019: nil) in the Group for the year are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries, other allowances and benefits in kind	4,585	3,685
Bonuses	1,960	2,366
Contribution to pension scheme	217	438
	6,762	6,489

10 Employee benefit expense (Continued)

(c) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2020	2019
Emolument bands		
Nil to RMB842,000 (equivalent to HKD1,000,000)	–	–
RMB842,001 (equivalent to HKD1,000,001) to RMB1,262,000 (equivalent to HKD1,500,000)	1	2
RMB1,262,001(equivalent to HKD1,500,001) to RMB1,683,000(equivalent to HKD2,000,000)	4	3
	5	5

11 Finance costs

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expense of asset-backed securities	130,406	171,006
Interest expense of other borrowings (Note 36(b))	–	1,600
Interest expense for lease liabilities (Note 19)	929	511
Others	95	–
	131,430	173,117

12 Subsidiaries

The Group's principal subsidiaries as of 31 December 2020 are set out below. Unless otherwise stated, the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

	Name	Place and date of incorporation/ establishment/ kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital (In thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					As of 31 December		As of 31 December	
					2020	2019	2020	2019
(1)	Harvest Team Global Limited	BVI, 3 March 2020 Limited Company	Investment holding in BVI	USD50	100%	N/A	–	N/A
(2)	Park Star Global Limited	BVI, 3 March 2020 Limited Company	Investment holding in BVI	USD50	100%	N/A	–	N/A
(3)	Super Lucky Investment Limited	Hong Kong, 2 March 2020 Limited Company	Investment holding in Hong Kong	HKD-	100%	N/A	–	N/A
(4)	Talent Bright Creation Limited	Hong Kong, 12 February 2020 Limited Company	Investment holding in Hong Kong	HKD-	100%	N/A	–	N/A
(5)	Beijing Yuanjing Rongda Management Consultancy Co., Ltd. 北京遠璟榮達企業管理服務有限公司	The PRC, 20 April 2020 Limited Liability Company	Investment holding in Mainland of the PRC	RMB132,000	100%	N/A	–	N/A
(6)	Beijing Yuanjing Ruida Management Consultancy Co., Ltd. 北京遠璟瑞達企業管理服務有限公司	The PRC, 20 April 2020 Limited Liability Company	Investment holding in Mainland of the PRC	RMB53,800	100%	N/A	–	N/A
(7)	Beijing Zhuoyuan Ruitong Management Consultancy Co., Ltd. 北京卓遠瑞通企業管理服務有限公司	The PRC, 24 April 2020 Limited Liability Company	Investment holding in Mainland of the PRC	RMB131,800	100%	N/A	–	N/A
(8)	Beijing Zhuoyuan Ruihe Management Consultancy Co., Ltd. 北京卓遠瑞合企業管理服務有限公司	The PRC, 24 April 2020 Limited Liability Company	Investment holding in Mainland of the PRC	RMB53,600	100%	N/A	–	N/A
(9)	Ocean Homeplus Property Service Co., Ltd. 遠洋億家物業服務股份有限公司 ("Ocean Homeplus")	The PRC, 9 September 1999 Limited Liability Company	Property management in Mainland of the PRC	RMB104,000	100%	100%	–	–

12 Subsidiaries (Continued)

	Name	Place and date of incorporation/ establishment/ kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital (In thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					As of 31 December		As of 31 December	
					2020	2019	2020	2019
(10)	Cosco Hotel Property Management Co., Ltd. 中遠酒店物業管理有限公司	The PRC, 31 March 1997 Limited Liability Company	Property management in Mainland of the PRC	RMB12,667	100%	100%	–	–
(11)	Dalian Ocean Foundation Property Management Co., Ltd. 大連遠洋基業物業管理有限公司	The PRC, 8 June 2001 Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	100%	100%	–	–
(12)	Zhongshan Ocean Property Service Co., Ltd. 中山遠洋物業服務有限公司	The PRC, 20 August 2007 Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	100%	100%	–	–
(13)	Beijing Yiyang Times Building Technology Co., Ltd. 北京億洋時代樓宇科技有限公司	The PRC, 17 September 2015 Limited Liability Company	Repair and Maintenance Services in Mainland of the PRC	RMB8,000	100%	100%	–	–
(14)	Shandong Liantai Property Service Co., Ltd. 山東聯泰物業服務有限公司 ("Shandong Liantai")	The PRC, 4 March 1994 Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	80%	80%	20%	20%
(15)	Ocean Yijia Property Service Nantong Co., Ltd. 遠洋億家物業服務南通有限公司 ("Ocean Nantong")	The PRC, 27 March 2008 Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	60%	60%	40%	40%
(16)	Hangzhou Yuanyang New Era Property Management Co., Ltd. 杭州遠洋新時代物業管理有限公司 ("Hangzhou New Era")	The PRC, 29 April 1999 Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	60%	60%	40%	40%
(17)	Changsha Xiangcheng Property Management Co., Ltd. 長沙相成物業管理有限公司 ("Changsha Xiangcheng")	The PRC, 12 June 2006 Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	60%	60%	40%	40%
(18)	Beijing Yuanhe Zhishang Technology Service Co., Ltd. 北京遠和志尚科技服務有限公司 ("Beijing Yuanhe") (a)	The PRC, 1 September 2017 Limited Liability Company	On-site service in Mainland of the PRC	RMB10,000	100%	41%	–	59%

12 Subsidiaries (Continued)

	Name	Place and date of incorporation/ establishment/ kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital (In thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					As of 31 December		As of 31 December	
					2020	2019	2020	2019
(19)	Beijing Yichi Property Service Co., Ltd. 北京億馳物業服務有限公司	The PRC, 24 April 2020 Limited Liability Company	Property management in Mainland of the PRC	RMB–	100%	N/A	–	N/A
(20)	Beijing Yiheng Property Service Co., Ltd. 北京億恒物業服務有限公司	The PRC, 24 April 2020 Limited Liability Company	Property management in Mainland of the PRC	RMB–	100%	N/A	–	N/A
(21)	Beijing Jiuyiqi Information Technology Co., Ltd. 北京九一七信息技術有限公司 ("Beijing Jiuyiqi") (b)	The PRC, 22 October 2015 Limited Liability Company	Brokerage service in Mainland of the PRC	RMB–	100%	N/A	–	N/A
(22)	Ocean Meihao Property Service Company Limited 遠洋美好物業服務有限公司	The PRC, 30 November 2020 Limited Liability Company	Property management in Mainland of the PRC	RMB–	51%	N/A	49%	N/A
(23)	Sanya Ocean Homeplus Shanhai Property Service Company Limited 三亞遠洋億家山海物業服務有限責任公司	The PRC, 24 December 2020 Limited Liability Company	Property management in Mainland of the PRC	RMB–	51%	N/A	49%	N/A

* The English name of the subsidiaries represents the best efforts made by the management of the Group in translating their Chinese name as they do not have official English name.

(a) In May 2020, the Group acquired the 10% and 49% equity interests of Beijing Yuanhe from Beijing Junde Land Development Co., Ltd. ("Beijing Junde") and a third party at considerations of RMB1 and RMB1 respectively.

(b) In May 2020, the Group completed its acquisition of 100% equity interests of Beijing Jiuyiqi.

(c) As at 31 December 2020, the total non-controlling interests are RMB22,922,000 (2019: RMB22,328,000). No subsidiary has non-controlling interests that are material to the Group.

13 Investments in joint ventures

Set forth below are the joint ventures of the Group as of 31 December 2020 and 2019 which, in the opinion of the directors, are not individually material to the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest As of 31 December		Nature of relationship	Measurement method	Carrying amount As of 31 December	
		2020	2019			2020	2019
Chengdu Qianhao Property Service Co., Ltd. 成都乾豪物業服務有限公司 ("Chengdu Qianhao")	Property Management in Chengdu	50%	N/A	Joint venture	Equity method	88,474,000	N/A
Beijing Best Technology Service Co., Ltd. 北京百思得科技服務有限責任公司 ("Beijing Best") (i)	Cleaning Service in Beijing	30%	30%	Joint venture	Equity method	21,122,000	20,885,000
Beijing Indigo Property Service Co., Ltd. 北京頤堤港物業服務有限公司 ("Beijing Indigo")	Property Management in Beijing	50%	N/A	Joint venture	Equity method	6,710,000	N/A
Chongqing Tengji Property Management Co., Ltd. 重慶騰基物業管理有限公司 ("Chongqing Tengji") (i)	Property management in Chongqing	49%	49%	Joint venture	Equity method	2,984,000	1,215,000

* The English names of the joint ventures represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.

(i) Although the Group holds less than 50% of the equity interests of these entities, according to the Article of Association of these entities, the Group exercises joint control with the counterparties in the strategic financial and operating decisions of these entities. Accordingly, these entities are accounted for joint ventures of the Group.

13 Investments in joint ventures (Continued)

The movement in investments in joint ventures in the consolidated statement of financial position is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of year	22,100	21,767
Acquisition (a)	81,085	–
Share of results in joint ventures	16,105	333
At end of year	119,290	22,100

(a) On 30 June 2020, the Group acquired 50% of the equity interests in Chengdu Qianhao and Beijing Indigo from the joint ventures of Sino-Ocean Group with considerations of RMB7,830,000 and RMB250,000 respectively. As the fair value of the acquired interests in Chengdu Qianhao and Beijing Indigo is RMB77,801,000 and RMB3,284,000, which has been assessed by an independent valuer, the difference between the fair value and the considerations amounting to RMB73,005,000 was recorded as reserve.

As of 31 December 2020 and 2019, there were no significant contingent liabilities or commitments relating to the Group's interests in the joint ventures.

The summarized financial information of the individually immaterial joint ventures on an aggregate basis is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying amounts in the consolidated financial statements	119,290	22,100
Share of results	16,105	333
Share of total comprehensive income	16,105	333

14 Income tax expense

This note provides an analysis of the Group's income tax expense, and shows how the tax expense is affected by non-assessable and nondeductible items.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	66,926	64,300
– PRC land appreciation tax	780	1,083
Deferred income tax (Note 32)	(96)	(4,255)
	67,610	61,128

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	330,167	266,404
Adjust for:		
Share of results of joint ventures	(16,105)	(333)
	314,062	266,071
Tax calculated at a tax rate of 25%	78,516	66,518
Tax effects of:		
Effect of higher tax rate for the appreciation of land in the PRC	585	813
Expenses not deductible for tax purposes	1,759	1,769
Tax losses not recognized	1,991	1,264
Utilisation of previously unrecognized tax losses and expenses	(1,617)	(4)
Differences in tax rate	(13,396)	(9,395)
Others	(228)	163
	67,610	61,128

14 Income tax expense (Continued)

The effective income tax rate was 20% (2019: 23%), for the years ended 31 December 2020.

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profit tax

No provision for Hong Kong profits tax was made as the Group did not have assessable income subject to Hong Kong profits tax for the years ended 31 December 2020 and 2019.

(c) PRC corporate income tax

Income tax provision of the Group in respect of operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in the PRC is 25%. Certain subsidiaries of the Group in the PRC are High-New Technology Enterprise, and they are subject to a preferential income tax rate of 15%. Certain subsidiaries of the Group in the PRC are qualified as small and micro businesses and enjoy preferential income tax rate of 5% or 10%.

(d) PRC land appreciation tax ("LAT")

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

(e) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

15 Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of 900,131,148 (2019: 888,000,000) in issue during the year. The weighted average number of ordinary shares used in 2019 has been retrospectively adjusted for the effects of the issue of shares in connection with the Capitalization Shares (Note 27(c)) which were deemed to have been in issue since 1 January 2019.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company used in the basic earnings per share calculation (RMB'000)	257,634	206,504
Weighted average number of ordinary shares in issue (in thousands)	900,131	888,000
Basic and diluted earnings per share for profit attributable to the owners of the Company during the year (expressed in RMB per share)	0.29	0.23

For the years ended 31 December 2020 and 2019, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

16 Investment properties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening net book amount	84,894	83,809
Fair value gains recognized in profit or loss	602	1,085
Closing net book amount	85,496	84,894

16 Investment properties (Continued)

(a) Fair value hierarchy

As of 31 December 2020 and 2019, all of the Group's investment properties were within Level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between Levels 1, 2 and 3 during the year of 2020 and 2019.

(b) Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were valued at 31 December 2020 and 2019 by independent qualified valuers, Cushman & Wakefield Shenzhen Valuation Co., Ltd. Beijing Branch and Beijing Jianhuaxin Assets Appraisal Co., Ltd., who hold recognized relevant professional qualifications and have recent experiences in the location and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

At each financial year end, the finance department:

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

(c) Valuation techniques

Fair values of community facility and carpark spaces were evaluated by using direct comparison approach, which was based on market observable transaction of similar properties and adjusted to reflect the specific conditions of the subject properties and differences in location.

Description	Fair value at 31 December		Valuation technique	Significant Unobservable inputs	Range of unobservable inputs as of 31 December		Relationship of unobservable inputs to fair value
	2020	2019			2020	2019	
	RMB'000	RMB'000					
Completed investment properties – Community facility	12,196	12,101	Direct comparison	Market unit sales price (RMB/sq.m.)	3,600	3,600	The higher the market unit sales price per square, the higher the fair value
– Carpark spaces	73,300	72,793	Direct comparison	Market unit sales price (RMB/unit)	145,000	144,000	The higher the market unit sales price per unit, the higher the fair value

16 Investment properties (Continued)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Rental income	4,819	4,068
Direct operating expenses	(1,723)	(1,698)

17 Property, plant and equipment

	Year ended 31 December 2020						
	Buildings	Office equipment	Plant and machinery	Vehicles	Electronic equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At beginning of year	1,291	13,295	2,023	5,575	25,706	22,941	70,831
Additions	–	2,533	157	326	2,658	594	6,268
Disposals	(652)	(2,059)	(132)	(821)	(2,953)	–	(6,617)
At end of year	639	13,769	2,048	5,080	25,411	23,535	70,482
Accumulated depreciation							
At beginning of year	(126)	(10,496)	(1,082)	(2,222)	(17,624)	(14,001)	(45,551)
Depreciation	(22)	(1,187)	(184)	(797)	(3,760)	(4,451)	(10,401)
Disposals	79	1,766	116	789	2,941	–	5,691
At end of year	(69)	(9,917)	(1,150)	(2,230)	(18,443)	(18,452)	(50,261)
Net book amount							
At end of year	570	3,852	898	2,850	6,968	5,083	20,221

17 Property, plant and equipment (Continued)

	Year ended 31 December 2019						
	Buildings	Office equipment	Plant and machinery	Vehicles	Electronic equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At beginning of year	1,280	13,234	1,920	5,122	25,530	17,240	64,326
Additions	11	2,180	313	563	2,414	5,701	11,182
Disposals	–	(2,119)	(200)	(110)	(2,222)	–	(4,651)
Disposal of interest in a subsidiary	–	–	(10)	–	(16)	–	(26)
At end of year	1,291	13,295	2,023	5,575	25,706	22,941	70,831
Accumulated depreciation							
At beginning of year	(88)	(10,165)	(1,097)	(1,543)	(15,978)	(10,548)	(39,419)
Depreciation	(38)	(2,418)	(134)	(729)	(3,613)	(3,453)	(10,385)
Disposals	–	2,087	143	50	1,951	–	4,231
Disposal of interest in a subsidiary	–	–	6	–	16	–	22
At end of year	(126)	(10,496)	(1,082)	(2,222)	(17,624)	(14,001)	(45,551)
Net book amount							
At end of year	1,165	2,799	941	3,353	8,082	8,940	25,280

Depreciation expenses were charged to the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of sales and services	9,258	8,261
Administrative expenses	1,143	2,124
	10,401	10,385

No property, plant and equipment is restricted or pledged as security for liabilities as of 31 December 2020 and 2019.

18 Intangible assets

	Computer software	Trademark	Property management contracts and customer relationship	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2020					
Cost	16,794	2,975	51,325	54,804	125,898
Accumulated amortization	(3,010)	(401)	(10,049)	–	(13,460)
Net book amount	13,784	2,574	41,276	54,804	112,438
Year ended 31 December 2020					
Opening net book amount	13,784	2,574	41,276	54,804	112,438
Additions	2,768	–	–	–	2,768
Disposals	(76)	–	–	–	(76)
Amortization	(2,125)	(229)	(5,743)	–	(8,097)
Closing net book amount	14,351	2,345	35,533	54,804	107,033
As of 31 December 2020					
Cost	19,462	2,975	51,325	54,804	128,566
Accumulated amortization	(5,111)	(630)	(15,792)	–	(21,533)
Net book amount	14,351	2,345	35,533	54,804	107,033

18 Intangible assets (Continued)

	Computer software	Trademark	Property management contracts and customer relationship	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2019					
Cost	13,765	2,975	51,325	54,804	122,869
Accumulated amortization	(1,316)	(172)	(4,306)	–	(5,794)
Net book amount	12,449	2,803	47,019	54,804	117,075
Year ended 31 December 2019					
Opening net book amount	12,449	2,803	47,019	54,804	117,075
Additions	3,029	–	–	–	3,029
Amortization	(1,694)	(229)	(5,743)	–	(7,666)
Closing net book amount	13,784	2,574	41,276	54,804	112,438
As of 31 December 2019					
Cost	16,794	2,975	51,325	54,804	125,898
Accumulated amortization	(3,010)	(401)	(10,049)	–	(13,460)
Net book amount	13,784	2,574	41,276	54,804	112,438

Amortization of intangible assets has been charged to the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of sales and services	1,396	1,108
Administrative expenses	6,701	6,558
	8,097	7,666

18 Intangible assets (Continued)

(a) No intangible asset is restricted or pledged as security for liabilities as of 31 December 2020 and 2019.

(b) Goodwill arising from acquisition of subsidiaries:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Changsha Xiangcheng	27,336	27,336
Shandong Liantai	25,961	25,961
Hangzhou New Era	1,048	1,048
Ocean Nantong	459	459
	54,804	54,804

An independent valuation was performed by an independent valuer to determine the amount of the property management contracts and customer relationship arising from the acquisition of Changsha Xiangcheng and Shandong Liantai. Methods and key assumptions in determining the fair value of the property management contracts and customer relationship are disclosed as follows:

	Valuation technique	Discount rate	Expected life of the intangible assets
Property management contracts and customer relationship	Multi-period excess earnings method	12.00% to 13.00%	7.75 to 10 years

As of 31 December 2020, the management performed an impairment assessment on the goodwill. The recoverable amounts of the property management business operated by Changsha Xiangcheng and Shandong Liantai have been assessed by an independent valuer and determined based on VIU calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by the management.

18 Intangible assets (Continued)

The following table sets forth each key assumption at 31 December 2020, used in assessing the recoverable amounts of the property management business that have significant goodwill.

	Changsha Xiangcheng	Shandong Liantai
Revenue 2021 (% annual growth rate)	8.0%	5.0%
Revenue 2022 (% annual growth rate)	3.2%	3.0%
Revenue 2023 to 2025 (% annual growth rate)	3.2%	3.0%
Gross margin (% of revenue)	20.5%	11%
Discount rate	13.0%	13.0%

The following table sets forth each key assumption at 31 December 2019, used in assessing the recoverable amounts of the property management business that have significant goodwill.

	Changsha Xiangcheng	Shandong Liantai
Revenue 2020 (% annual growth rate)	1.4%	3.0%
Revenue 2021 (% annual growth rate)	8.0%	3.0%
Revenue 2022 to 2023 (% annual growth rate)	3.0%	3.0%
Gross margin (% of revenue)	27.0%-30.0%	11.0%
Discount rate	12.0%	12.0%

As of 31 December 2020, the recoverable amounts of RMB113,793,000 (2019: RMB134,701,000) of the property management business calculated based on VIU calculation exceeded their carrying amount value of RMB103,594,000 (2019: RMB109,314,000) by RMB10,199,000 (2019: RMB25,386,000).

18 Intangible assets (Continued)

Details of the headroom attributable to the property management business with significant goodwill as of 31 December 2020 and 2019 are set out as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Changsha Xiangcheng	4,393	15,390
Shandong Liantai	5,806	9,996

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom respectively as of 31 December 2020 and 2019.

	Changsha Xiangcheng	Shandong Liantai
As of 31 December 2020		
Annual revenue growth rate	-2%	-3%
Discount rate	+1%	+1%
As of 31 December 2019		
Annual revenue growth rate	-8%	-6%
Discount rate	+23%	+16%

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer as of 31 December 2020, the directors of the Company determined that no impairment provision on goodwill and other intangible asset was required as of 31 December 2020 (2019: nil).

19 Leases

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
Buildings	13,910	4,280
Parking lots	862	–
Vehicles	250	–
Equipments	195	–
	15,217	4,280
Lease liabilities		
Current	8,338	3,753
Non-current	4,393	705
	12,731	4,458

19 Leases (Continued)

(b) Amounts recognized in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Buildings	8,872	8,865
Parking lots	112	–
Vehicles	15	–
Equipments	24	–
	9,023	8,865
Interest expense (Note 11)	929	511

(c) Amounts recognized in the consolidated statement of cash flows

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cash flows from financing activities		
Payments of interest element of lease liabilities	929	511
Payments of principal element of lease liabilities	7,368	9,595
	8,297	10,106

(d) The Group's leasing activities and how these are accounted for:

The Group leases various offices, parking lots, vehicles and equipments. Rental contracts are typically made for fixed periods of 2 to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

20 Financial instruments by category

The Group holds the following financial instruments:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortized cost		
Trade and note receivables	315,470	363,659
Other receivables (excluding prepayment)	94,613	75,187
Loans and interest receivables due from related parties	–	2,856,000
Cash and cash equivalents	2,175,019	423,413
Restricted bank deposits	338	154
Financial assets at fair value through profit or loss	–	17,835
	2,585,440	3,736,248
Financial liabilities		
Liabilities at amortized cost		
Borrowings	–	2,142,008
Trade and other payables (excluding payroll and welfare payables and other tax payables)	561,941	699,709
Lease liabilities	12,731	4,458
	574,672	2,846,175

21 Inventories

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Carpark spaces	119,294	130,846
Consumables	3,592	3,979
	122,886	134,825

22 Trade and note receivables

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables		
– related parties (Note 36(d))	97,850	108,458
– third parties	298,562	333,638
	396,412	442,096
Note receivables		
– related parties (Note 36(d))	–	2,025
	–	2,025
Less: allowance for impairment of trade and note receivables	(80,942)	(80,462)
	315,470	363,659

Trade and note receivables mainly represented the receivables of outstanding property management service income and the receivables of value-added service income.

Property management services income and value-added service income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of demand note.

In determining the recoverability of trade and note receivables from the property management and value-added services, the Group takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience and management/service fee collection rate of the customers in estimating the future cash flows from the receivables.

22 Trade and note receivables (Continued)

As of 31 December 2020 and 2019, the aging analysis of the trade and note receivables based on the invoice date, were as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	254,341	293,082
1-2 years	57,482	66,361
2-3 years	36,417	37,982
Over 3 years	48,172	46,696
Total	396,412	444,121

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As of 31 December 2020, a provision of RMB 80,942,000, (2019: RMB 80,462,000) was provided against the gross amounts of trade and note receivables (Note 3.1.2).

As of 31 December 2020 and 2019, the trade and note receivables were denominated in RMB, and the fair value of trade and note receivables approximated their carrying amounts.

23 Prepayments and other receivables

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments to suppliers		
– Related parties (Note 36(d))	2,591	231
– Third parties	10,445	15,528
	13,036	15,759
Other receivables		
– Related parties (Note 36(d))	16,380	12,639
– Payments on behalf of property owners	52,106	45,672
– Deposit	11,807	11,121
– Others	14,372	6,587
	94,665	76,019
Less: allowance for impairment of other receivables	(52)	(832)
	94,613	75,187
Prepaid tax	7,094	3,340
	114,743	94,286

24 Loans and interest receivables due from related parties

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Loans and interest receivables due from related parties (a)		
– Non-current	–	2,856,000
	–	2,856,000

(a) As of 31 December 2020, loans and interest receivables due from related parties have been fully collected.

25 Financial assets at fair value through profit or loss

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Money market funds	–	10,000
Structural deposits	–	7,835
	–	17,835

26 Cash and cash equivalents and restricted bank deposits

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Cash on hand	13	17
Bank deposits (a)	2,175,344	423,550
	2,175,357	423,567
Less：Restricted bank deposits (b)	(338)	(154)
Cash and cash equivalents	2,175,019	423,413

(a) Cash on hand were denominated in RMB, and cash at bank were denominated in the following currencies:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	617,781	423,543
HKD	1,557,556	–
Other currencies	7	7
	2,175,344	423,550

(b) As of 31 December 2020 and 2019, restricted bank deposits mainly consisted of housing maintenance funds, which were owned by the property owners but were deposited in the bank accounts under the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

27 Share capital

The Company was incorporated in the Cayman Islands on 15 April 2020, the authorised share capital was HKD380,000 divided into 3,800,000 ordinary shares of HKD0.1 each. As at 31 December 2020, the authorized ordinary shares was 10,000,000,000 shares at a par value of HKD0.1 each.

	Number of shares	Share capital	Share capital
		HKD'000	RMB'000
As at 15 April 2020 (date of incorporation (Note a))	1	–	–
Issue of shares (Note a)	99,999	10	9
Issue of ordinary shares (Note b)	11,000	1	1
Capitalization issue (Note c)	887,889,000	88,789	74,861
Global initial public offering (Note d)	296,000,000	29,600	24,958
As of 31 December 2020	1,184,000,000	118,400	99,829

(a) 1 share of HKD0.1 each were allotted and issued to an independent third party on 15 April 2020 (date of incorporation) and transferred to Shine Wind on the same day, and 99,999 shares of HKD0.1 each were allotted and issued to Shine Wind on 29 June 2020.

(b) 5,556 and 5,444 shares with par value of HKD0.1 each were issued to and fully paid by Wealth Best Ventures Limited ("Wealth Best") and Smart Estate International Limited ("Smart Estate") respectively on 30 July 2020.

(c) Pursuant to the resolutions passed on 25 November 2020, 887,889,000 shares were allotted and issued to the shareholders of the Company at par value of HKD0.1 per share on 17 December 2020 by transfering HKD88,789,000 (equivalent to RMB74,861,000) from share premium of the initial public offering recorded as other reserve to share capital.

(d) On 17 December 2020, the Company issued new ordinary shares of 296,000,000 at a nominal value of HKD0.1 per share via public offering. Such shares were offered at HKD5.88 per share and listed on the main board of the Stock Exchange. Gross proceeds from the issue amounted to HKD1,740,480,000 (equivalent to RMB1,467,468,000). After deducting the underwriting fees and relevant expenses, net proceeds from the issue amounted to HKD1,691,669,000 (equivalent to RMB1,426,314,000), among of which, HKD29,600,000 (equivalent to RMB24,958,000) was recorded as share capital and HKD1,662,069,000 (equivalent to RMB1,401,356,000) was recorded as share premium (Note 28).

28 Reserves

	Statutory reserve	Other reserves	Total
	RMB'000	RMB'000	RMB'000
As of 1 January 2020	13,108	150,378	163,486
Capital injection from the shareholders of the Company (b)	–	326,270	326,270
Issuance of ordinary shares pursuant to initial public offering (Note 27(d))	–	1,401,356	1,401,356
Capitalization issue (Note 27(c))	–	(74,861)	(74,861)
Deemed distribution (c)	–	(185,000)	(185,000)
Transaction with non-controlling interests (Note 12(a))	–	(816)	(816)
Contribution from the ultimate holding company (Note 13(a))	–	73,005	73,005
As of 31 December 2020	13,108	1,690,332	1,703,440
As of 1 January 2019	10,319	150,378	160,697
Appropriation of statutory reserve (a)	2,789	–	2,789
As of 31 December 2019	13,108	150,378	163,486

(a) PRC statutory reserve

In accordance with relevant rules and regulations in the PRC and the Company's article of association, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

28 Reserves (Continued)

(b) As at 29 June 2020, the Company received capital injection of HKD208,384,000 (equivalent to RMB190,000,000) from Shine Wind, and the difference between the amount contributed and the par value of HKD10,000 (equivalent to RMB9,000) was recorded as reserve.

On 30 July 2020, the Company received capital injection of HKD73,824,000 (equivalent to RMB67,446,000) and HKD75,343,000 (equivalent to RMB68,834,000) from Smart Estate and Wealth Best respectively, and the difference between the amount contributed and the par value of HKD1,100 (equivalent to RMB1,000) was recorded as reserve.

(c) Deemed distribution amounting to RMB185,000,000 represents the consideration paid for the acquisition of 100% issued share capital of Ocean Homeplus in April 2020. The consideration was accounted for as a deduction of reserve.

29 Retained earnings

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At January 1	254,452	340,245
Profit for the year	257,634	206,504
Dividends	(286,972)	(289,508)
Appropriation of statutory reserve	–	(2,789)
At December 31	225,114	254,452

30 Trade and other payables

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables (a)		
– Related parties (Note 36(d))	22,347	22,130
– Third parties	256,930	231,767
	279,277	253,897
Other payables		
– Related parties (Note 36(d))	25,279	166,123
– Deposit	112,148	111,007
– Amounts collected on behalf of property owner	90,235	94,907
– Others	50,857	37,391
	278,519	409,428
Dividends payables		
– Non-controlling shareholders	4,145	–
	4,145	–
Interest payables		
– Related parties (Note 36(d))	–	1,600
– Third parties	–	34,784
	–	36,384
Accrued payroll and welfare payables	92,125	99,545
Other taxes payables	5,764	8,477
	97,889	108,022
Less: non-current portion	(8,526)	(7,783)
Total	651,304	799,948

As of 31 December 2020 and 2019, the carrying amounts of trade and other payables approximated their fair values.

30 Trade and other payables (Continued)

(a) As of 31 December 2020 and 2019, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	269,703	250,093
1-2 years	6,652	3,050
2-3 years	2,271	576
Over 3 years	651	178
	279,277	253,897

31 Borrowings

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Asset-backed securities ("ABS") (a)	–	2,525,982
Other Borrowings (b)	–	20,000
Less: non-current portion	–	(2,142,008)
Current portion	–	403,974

(a) On 23 April 2018, the Group entered into an ABS agreement with a third-party financing company in the form of asset securitization. ABS are divided into priority level and subprime level with the principal of RMB2,994,683,000 and RMB158,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended 31 December 2018. The priority level securities were guaranteed by Sino-Ocean Group.

According to the agreement of ABS, the Group as the issuer is eligible to exercise the right of redeem at redemption start date corresponding to each of the expected mature date, and the redemption is irrevocable once started. The Group has redeemed all the remaining principal in November 2020.

The other borrowings have been fully repaid.

31 Borrowings (Continued)

(b) As of 31 December 2020 and 2019, the Group's borrowings were repayable as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	–	403,974
Between 1 and 2 years	–	295,000
Between 2 and 5 years	–	997,000
Over 5 years	–	850,008
	–	2,545,982

(c) The fair value of borrowings approximates their carrying amount, as the impact of discounting is not significant.

32 Deferred income tax

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

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	16,478	17,498
– Deferred tax asset to be recovered within 12 months	181	281
	16,659	17,779
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	(11,349)	(12,565)
– Deferred tax liability to be recovered within 12 months	(1,194)	(1,194)
	(12,543)	(13,759)
	4,116	4,020

32 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the years of 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets-allowance on doubtful debts	Deferred tax assets-accrued expenses	Deferred tax assets-unrealized gains	Deferred tax assets-net impact of right-of-use assets and lease liabilities	Deferred tax liabilities-Investment properties revaluation	Deferred tax liabilities – excess of value of intangible assets identified in business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2020	20,297	2,525	213	273	(10,518)	(8,770)	4,020
(Charged)/credited to income tax expense	(604)	125	(70)	(92)	(457)	1,194	96
As of 31 December 2020	19,693	2,650	143	181	(10,975)	(7,576)	4,116
As of 1 January 2019	16,897	2,300	–	454	(9,894)	(9,964)	(207)
Credited/(charged) to income tax expense	3,428	225	213	(181)	(624)	1,194	4,255
Disposal of a subsidiary	(28)	–	–	–	–	–	(28)
As of 31 December 2019	20,297	2,525	213	273	(10,518)	(8,770)	4,020

32 Deferred income tax (Continued)

As of 31 December 2020, in accordance with the accounting policy set out in Note 2.17(b), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB9,408,000 (2019: RMB9,870,000) as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. Among of the tax losses, RMB2,473,000 (2019: RMB9,870,000) will expire in five years from year of occurrence under current tax legislation:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Expiry year		
2020	–	2,170
2021	5	1,160
2022	–	196
2023	–	1,288
2024	1,441	5,056
2025	1,027	–
	2,473	9,870

As of 31 December 2020, deferred income tax liabilities have not been recognized for the withholding tax that would be payable upon remittance, in respect of the unremitted distributable profits of certain PRC subsidiaries amounting to RMB223,306,000 attributable to the investors outside the PRC as such profits are intended to be reinvested in the PRC (2019: RMB218,894,000).

33 Dividends

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Proposed final dividend of RMB0.055 per ordinary share (a)	65,120	–

(a) On 19 March 2021, the Company proposed a final dividend of RMB65,120,000 for the year ended 31 December 2020.

(b) During the year of 2020, the Group declared dividends with aggregated amounts of RMB292,117,000 (2019: RMB294,895,000) to Beijing Yuankun Real Estate Development Co., Ltd., Beijing Yuanjing Ruixiang Management Consultation Co., Ltd. and non-controlling shareholders.

34 Cash generated from operations

(a) Cash generated from operations

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	330,167	266,404
Adjustments for:		
Depreciation of property, plant and equipment (Note 17)	10,401	10,385
Amortization of right-of-use assets (Note 19)	9,023	8,865
Amortization of intangible assets (Note 18)	8,097	7,666
Share of results of joint ventures (Note 13)	(16,105)	(333)
Interest income from loans due from related parties (Note 7)	(147,363)	(214,330)
Valuation gains on investment properties (Note 16)	(602)	(1,085)
Losses on disposal of interests in a subsidiary	–	2
(Gains)/losses on disposal of property, plant and equipment (Note 8)	(142)	71
Losses on disposal of intangible assets (Note 8)	4	–
Fair value gains on financial assets at fair value through profit or loss (Note 8)	(3,063)	(3,166)
Net impairment losses on financial assets (Note 3.1.2)	31,177	14,186
Finance cost (Note 11)	131,430	173,117
Exchange losses (Note 8)	13,355	–
Listing expenses (Note 9)	37,512	–
Changes in working capital:		
Inventories	11,939	(6,140)
Trade and note receivables	16,917	(32,212)
Prepayments and other receivables	(24,776)	(8,278)
Trade and other payables	10,053	31,957
Contract liabilities	23,888	10,714
Restricted bank deposits	(184)	92
	441,728	257,915

34 Cash generated from operations (Continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movement in net debt for the years of 2020 and 2019.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	2,175,019	423,413
Borrowings	–	(2,545,982)
Lease liabilities	(12,731)	(4,458)
Net cash/(debt)	2,162,288	(2,127,027)

	Cash and cash equivalents	Borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as of 1 January 2020	423,413	(2,545,982)	(4,458)	(2,127,027)
Addition of lease liabilities	–	–	(15,641)	(15,641)
Accrued interest expenses	–	(3,992)	(929)	(4,921)
Foreign exchanges	(13,355)	–	–	(13,355)
Cash flows	1,764,961	2,549,974	8,297	4,323,232
Net cash as of 31 December 2020	2,175,019	–	(12,731)	2,162,288
Net debt as of 1 January 2019	414,623	(2,812,019)	(10,671)	(2,408,067)
Addition of lease liabilities	–	–	(3,382)	(3,382)
Accrued interest expenses	–	(979)	(511)	(1,490)
Cash flows	8,790	267,016	10,106	285,912
Net debt as of 31 December 2019	423,413	(2,545,982)	(4,458)	(2,127,027)

35 Commitments

(a) Operating lease rental receivables

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	2,196	4,419
Between 1 and 2 years	450	450
Between 2 and 3 years	263	450
Between 3 and 4 years	–	263
	2,909	5,582

36 Related party transactions

(a) Name and relationship with related parties

	Name	Relationship
(1)	Sino-Ocean Group 遠洋集團控股有限公司	Ultimate holding company
(2)	Dajia Insurance Group Co., Ltd. 大家保險集團有限責任公司	Shareholder of the ultimate holding company of the Group
(3)	Shine Wind 耀勝發展有限公司	Intermediate holding company
(4)	Beijing Best 北京百思得科技服務有限責任公司	Joint venture
(5)	Chongqing Tengji 重慶騰基物業管理有限公司	Joint venture

36 Related party transactions (Continued)

(b) Transactions with related parties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Provision of services		
– A joint venture	57	34
– Entities controlled by the ultimate holding company	259,805	250,267
– Entities over which the ultimate holding company has significant influence or joint control	122,695	123,142
– A shareholder of the ultimate holding company of the Group	29,715	15
	412,272	373,458
Purchase of goods and services		
– A joint venture	101,921	107,006
– Entities controlled by the ultimate holding company	5,074	8,989
– Entities over which the ultimate holding company has significant influence or joint control	4,915	301
	111,910	116,296
Rental expense		
– Entities controlled by the ultimate holding company	3,631	10,587
– Entities over which the ultimate holding company has significant influence or joint control	1,839	143
	5,470	10,730

36 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Purchase of carpark spaces		
– Entities controlled by the ultimate holding company	–	4,788
Interest income		
– Entities controlled by the ultimate holding company	147,363	214,330
Interest expense		
– Entities controlled by the ultimate holding company	–	1,600
Loans to an entity controlled by the ultimate holding company		
At January 1	2,856,000	–
Amounts advanced during year	–	2,856,000
Repayments during year	(2,856,000)	–
At December 31	–	2,856,000
Amount due from an entity controlled by the ultimate holding company		
At January 1	–	3,089,189
Amounts advanced during year	–	–
Repayments during year	–	(3,089,189)
At December 31	–	–
Loans from an entity controlled by the ultimate holding company		
At January 1	20,000	20,000
Repayments during year	(20,000)	–
At December 31	–	20,000
Amount advanced from an entity controlled by the ultimate holding company		
At January 1	146,130	17,289
Amounts advanced during year	113,340	128,841
Repayments during year	(259,470)	–
At December 31	–	146,130

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the counterparties.

36 Related party transactions (Continued)

(c) Key management compensation

Compensations for key management and directors are set forth below.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, bonuses and other benefits	10,737	7,969

(d) Balances with related parties

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Trade and note receivables		
– Entities controlled by the ultimate holding company	61,740	49,881
– Entities over which the ultimate holding company has significant influence or joint control	29,558	60,602
– A shareholder of the ultimate holding company of the Group	6,552	–
	97,850	110,483
Other receivables		
Trade in nature		
– A joint venture	25	29
– Entities controlled by the ultimate holding company	12,631	9,262
– Entities over which the ultimate holding company has significant influence and joint control	3,724	3,348
	16,380	12,639

36 Related party transactions (Continued)

(d) Balances with related parties (Continued)

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Loans and interest receivables due from related parties		
Non-trade in nature		
– Entities controlled by the ultimate holding company	–	2,856,000
Prepayments		
Trade in nature		
– Entities controlled by the ultimate holding company	2,591	231
Trade payables		
– A joint venture	16,592	9,750
– Entities controlled by the ultimate holding company	4,401	10,177
– Entities over which the ultimate holding company has significant influence or joint control	–	2,203
– A shareholder of the ultimate holding company of the Group	1,354	–
	22,347	22,130
Other payables		
Trade in nature		
– A joint venture	–	12
– Entities controlled by the ultimate holding company	20,303	18,723
– Entities over which the ultimate holding company has significant influence and joint control	4,976	1,258
	25,279	19,993
Non-trade in nature		
– Entities controlled by the ultimate holding company	–	146,130
	25,279	166,123
Interest payables		
Non-trade in nature		
– Entities controlled by the ultimate holding company	–	1,600

36 Related party transactions (Continued)

(d) Balances with related parties (Continued)

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities		
Trade in nature		
– Entities controlled by the ultimate holding company	5,920	6,102
– Entities over which the ultimate holding company has significant influence or joint control	–	514
– A shareholder of the ultimate holding company of the Group	–	5,598
	5,920	12,214
Other Borrowings		
Non-trade in nature		
– An entity controlled by the ultimate holding company	–	20,000

(e) Guarantees provided by related parties

As of 31 December 2020, guarantees provided by Sino Ocean Holding Group (China) Limited, an entity controlled by the ultimate holding company had been released as all ABS has been redeemed in October 2020.

37 Statement of Financial Position and reserve movement of the Company

Statement of Financial Position of the Company

	As of 31 December
	2020
	RMB'000
Assets	
Non-current assets	
Investment in subsidiaries	–*
Total non-current assets	–
Current assets	
Prepayments and other receivables	185,815
Cash and cash equivalents	1,557,556
Total current assets	1,743,371
Total assets	1,743,371
Equity	
Equity attributable to owners of the Company	
Share capital	99,829
Reserves (a)	1,652,765
Accumulated losses (a)	(19,671)
Total equity	1,732,923
Liabilities	
Current liabilities	
Trade and other payables	10,448
Total current liabilities	10,448
Total liabilities	10,448
Total equity and liabilities	1,743,371

* Less than RMB1,000

The statement of financial position of the Company was approved by the Board of Directors on 19 March 2021 and was signed on its behalf:

Yang Deyong	Zhu Geying
Executive Director	*Executive Director*

37 Statement of Financial Position and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Accumulated losses	Other reserves
	RMB'000	RMB'000
At 15 April 2020	–	–
Losses for the year	(19,671)	–
Capital injection	–	326,270
Issue of ordinary shares pursuant to initial public offering	–	1,401,356
Capitalisation issue	–	(74,861)
At 31 December 2020	(19,671)	1,652,765

38 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2020 is set forth below:

	Salaries	Fees	Housing allowance	Contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Yang Deyong (note (i))	540	–	17	13	14	584
Zhu Geying (note (i))	300	–	17	13	14	344
Non-executive Directors						
Cui Hongjie (note (ii))	–	–	–	–	–	–
Zhu Xiaoxing (note (ii))	–	–	–	–	–	–
Independent Non-executive Directors						
Guo Jie (note (iii))	–	25	–	–	–	25
Xue Jun (note (iii))	–	25	–	–	–	25
Zhu Lin (note (iii))	–	25	–	–	–	25
	840	75	34	26	28	1,003

The remuneration of directors and chief executives of the Company for the year ended 31 December 2019 is set forth below:

	Salaries	Fees	Housing allowance	Contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Yang Deyong (note (i))	–	–	–	–	–	–
Zhu Geying (note (i))	–	–	–	–	–	–
Cui Hongjie (note (ii))	–	–	–	–	–	–
Zhu Xiaoxing (note (ii))	–	–	–	–	–	–
	–	–	–	–	–	–

38 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Note:

(i) In September 2020, Mr. Yang Deyong and Ms. Zhu Geying were appointed as executive directors of the Company. The remuneration of the executive directors in relation to their services rendered for the Group for the period beginning from their appointment to 31 December 2020 amounted to RMB928,000. The emoluments of the executive directors in relation to their services rendered for the Group before their appointment were borne by Sino-Ocean Group, where were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(ii) In September 2020, Mr. Cui Hongjie was appointed as non-executive director of the Company. In April 2020, Mr. Zhu Xiaoxing was appointed as a director of the Company, and in September 2020, he was re-designated and re-appointed as non-executive director of the Company. The emoluments of the non-executive directors in relation to their services rendered for the Group for the year ended 31 December 2020 and 2019 were borne by Sino-Ocean Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(iii) In November 2020, Dr. Guo Jie, Dr. Xue Jun and Mr. Zhu Lin were appointed as independent non-executive directors of the Company.

(b) There were no retirement benefits paid to or receivable by directors during the year ended 31 December 2020 by defined benefit pension plans operated by the Group (2019: nil).

(c) There were no director's termination benefits subsisted during the year ended 31 December 2020 (2019: nil).

(d) There was no consideration provided to third parties for making available directors' services subsisted during the year ended 31 December 2020 (2019: nil).

(e) During the year ended 31 December 2020, there were no loans, quasi-loans and other dealings entered between by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors (2019: nil).

(f) During the year ended 31 December 2020, there were no significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the year ended 31 December 2020 or at any time during the year ended 31 December 2020 (2019: nil).

FOUR-YEAR FINANCIAL SUMMARY

	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,023,319	1,829,575	1,610,309	1,213,028
Gross profit	511,301	376,679	322,997	251,346
Profit attributable to owners of the Company	257,634	206,504	137,153	104,168
Total assets	3,092,372	4,156,943	4,339,032	1,254,196
Total liabilities	1,041,067	3,716,677	3,809,147	881,394
Equity attributable to owners of the Company	2,028,383	417,938	500,942	365,028
Total equity	2,051,305	440,266	529,885	372,802

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