遠洋服務
SINO-OCEAN SERVICE

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:06677.HK

2021 Interim Report

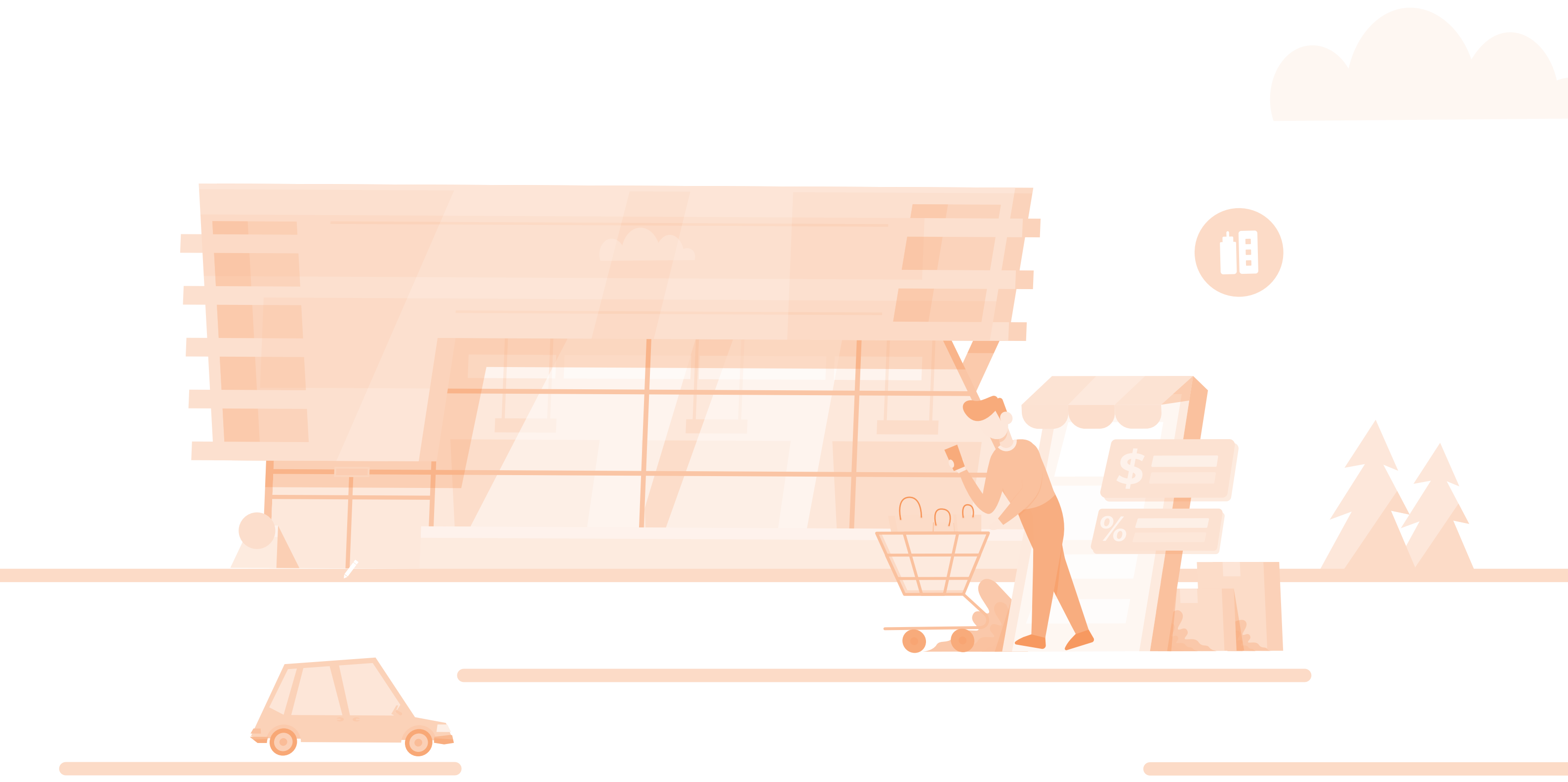
BEING UNDERSTANDING AND INNOVATIVE

CONTENT

CORPORATE OVERVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. According to China Index Academy, in terms of overall strength in 2020, we were honored “12th in the Top 100 Property Management Companies in China in 2021”, “2021 China Leading Property Management Companies in terms of Characteristic Service — high-end commercial properties”, “2021 Excellent Property Management Companies in China in terms of Commercial Property Management”, and “2021 China Outstanding Residential Property Management Enterprise”.

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 226 subsidiaries and branch offices across 24 provinces, autonomous regions and municipalities in China as at 30 June 2021.



As of 30 June 2021, our total contracted GFA reached 82.6 million sq.m., covering 72 cities across 24 provinces, autonomous regions and municipalities in China, and we managed 281 properties in China with a total GFA under management of 57.8 million sq.m., including 202 residential communities and 79 non-residential properties. Our property management services cover a wide range of property types, including residential communities, commercial properties (such as office buildings and shopping malls) and public and other properties (such as hospitals, schools, government buildings and public service facilities). 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.

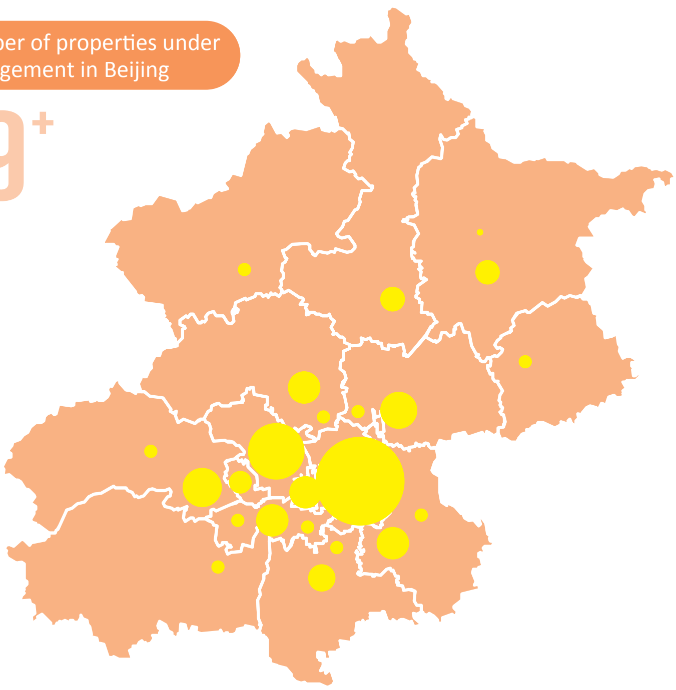
GEOGRAPHIC COVERAGE

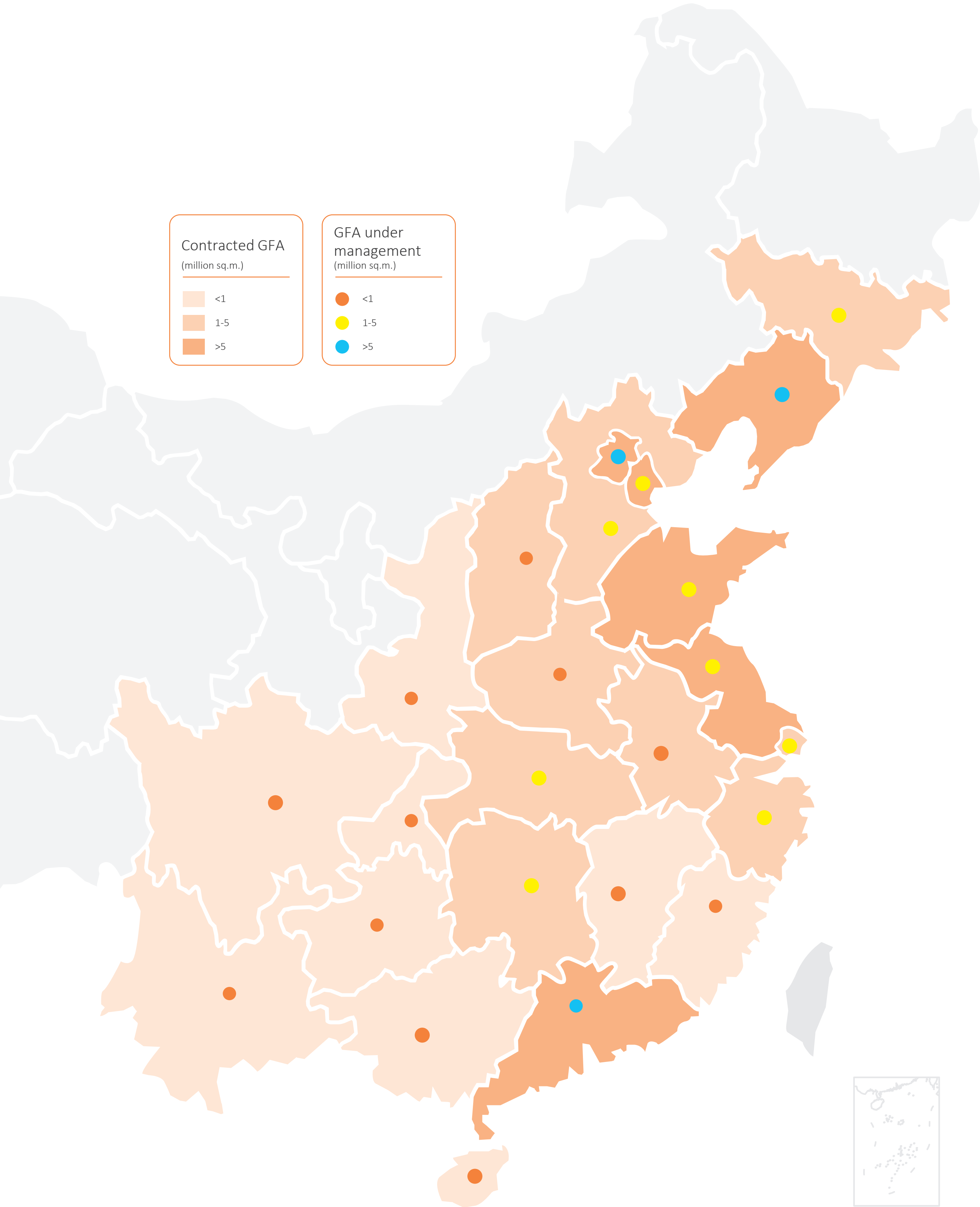
The table below illustrates the major cities in China where our contracted and properties under management are located as at 30 June 2021:

Beijing-Tianjin-Hebei	Bohai Rim	Eastern China		Southern China		Central and Western China	
Beijing	Dalian	Shanghai	Nantong	Zhongshan	Sanya	Changsha	Chengdu
Tianjin	Changchun	Hangzhou	Jiaxing	Foshan	Haikou	Wuhan	Chongqing
Shijiazhuang	Qingdao	Nanjing	Huzhou	Shenzhen	Dongguan	Hefei	Xi'an
Qinhuangdao	Jinan	Suzhou	Wuhu	Guangzhou	Huizhou	Zhengzhou	Kunming
Langfang	Yantai	Wuxi	Yangzhou	Xiamen	Nanning	Nanchang	Guiyang
	Taiyuan	Wenzhou		Fuzhou			
	Shenyang						

Number of properties under management in Beijing

49+




Contracted GFA
(million sq.m.)
<1
1-5
>5
GFA under management
(million sq.m.)
<1
1-5
>5

CORPORATE INFORMATION

Directors

Executive Directors

Mr. YANG Deyong
(Joint Chairman and Chief Executive Officer)
Ms. ZHU Geying

Non-executive Directors

Mr. CUI Hongjie (Joint Chairman)
Mr. ZHU Xiaoxing

Independent Non-executive Directors

Dr. GUO Jie
Dr. XUE Jun
Mr. ZHU Lin

Audit Committee

Mr. ZHU Lin (Chairman)
Mr. CUI Hongjie
Mr. ZHU Xiaoxing
Dr. GUO Jie
Dr. XUE Jun

Nomination Committee

Mr. YANG Deyong (Chairman)
Mr. CUI Hongjie
Dr. GUO Jie
Dr. XUE Jun
Mr. ZHU Lin

Remuneration Committee

Dr. XUE Jun (Chairman)
Mr. YANG Deyong
Dr. GUO Jie

Company Secretary

Mr. CHUNG Kai Cheong

Authorized Representatives

Mr. YANG Deyong
Mr. CHUNG Kai Cheong

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

Suite 601, One Pacific Place
88 Queensway
Hong Kong

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.
CMB Wing Lung Bank Limited
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

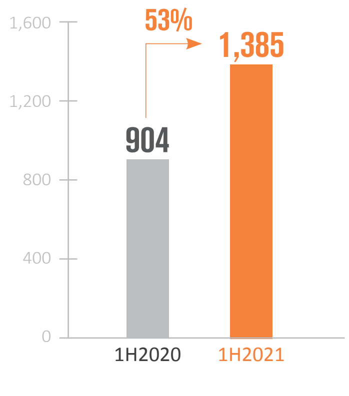
	For the six months ended 30 June		
(RMB million)	2021 (Unaudited)	2020 (Audited)	Changes
Revenue	1,385	904	53%
Gross profit	441	257	72%
Gross profit margin (%)	32%	28%	4pts
Profit for the period	264	154	71%
Net profit margin (%)	19%	17%	2pts
Profit attributable to owners of the Company	261	151	73%
Core profit	271	129	110%
Core profit margin (%)	20%	14%	6pts
Basic and diluted earnings per share (RMB)	0.22	0.17	29%

CONSOLIDATED FINANCIAL POSITION

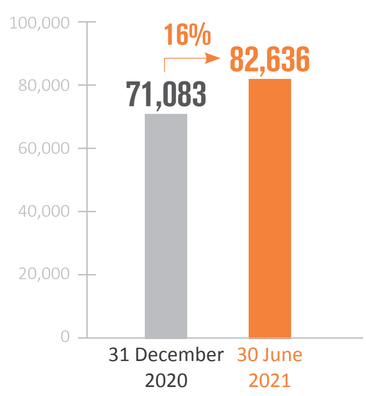
(RMB million)	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Changes
Total assets	3,511	3,092	14%
Total equity	2,250	2,051	10%
Equity attributable to owners of the Company	2,225	2,028	10%
Cash resources[1]	2,366	2,175	9%
Current ratio (times)	2.6	2.7	−4%

Note:
1. Including the restricted bank deposits

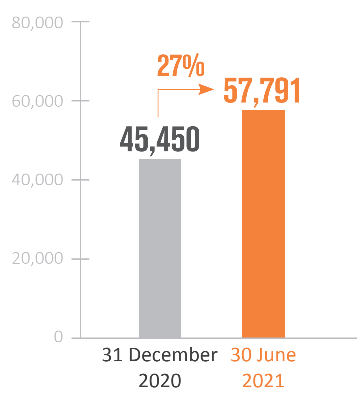
Revenue
(RMB million)



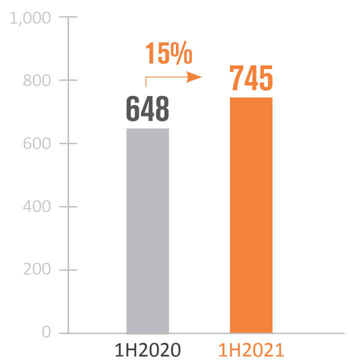
Contracted GFA
('000 sq.m.)



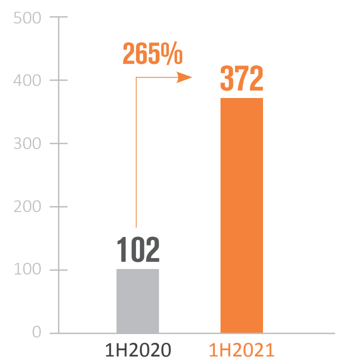
GFA under management
('000 sq.m.)



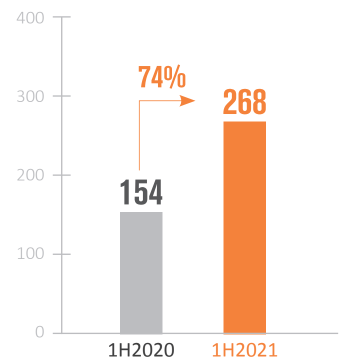
Revenue from property management services
(RMB million)



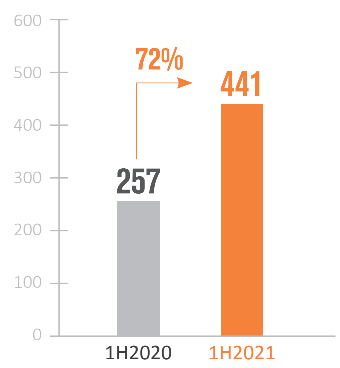
Revenue from community value-added services
(RMB million)



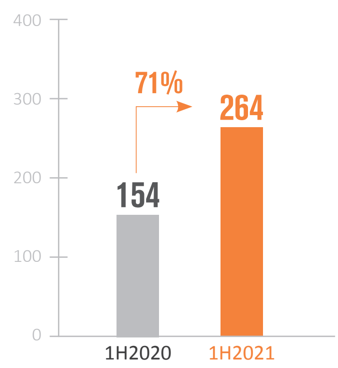
Revenue from value-added services to non-property owners
(RMB million)



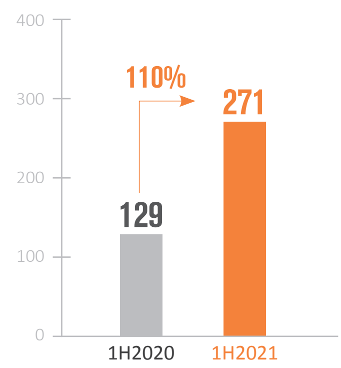
Gross profit
(RMB million)



Profit for the period
(RMB million)



Core profit
(RMB million)



CHAIRMAN'S STATEMENT

On behalf of our Board of Directors (the "Board"), I have the pleasure to present the interim results of Sino-Ocean Service Holding Limited ("Sino-Ocean Service" or the "Company") and its subsidiaries (together referred to as the "Group" or "We") for the six months ended 30 June 2021.

MARKET REVIEW

2021 is a year of significance. In the first half of the year, the PRC government introduced a series of policies to promote and support normative development and rapid growth of the industry. 12 ministries including the Ministry of Commerce announced 'Views on Advancing the 15-minute Convenient Urban Life' and clearly encouraged capable property service enterprises to extend into senior living, childcare, domestic services, postal and courier services, and storage facilities. The 14th Five-Year Plan also mentioned 'properties' several times. Property services have been expanding both in contents and dimensions. As their market value and professional status are becoming more recognized, property owners are demanding superior property services and the quality of these services plays a part on the asset value. Property management enterprises have been expanding services in all magnitudes, heading towards standardized services, market-oriented competition and optimal use of technology to adapt to changes in owners' psychology and needs, and to maintain core competitiveness. Our Group is steadfast in the vision of 'becoming a branded superior comprehensive property management service provider in China', continually enhancing operating standards to achieve rapid developments in scale and results during the period.

2021 INTERIM RESULTS

For the six months ended 30 June 2021, our Group's revenue was approximately RMB1,384.6 million, and gross profit was approximately RMB441.3million, representing a year-on-year ("YoY") increase of about 53% and 72% respectively. Profit for the period was approximately RMB263.5 million, up 71% YoY. Gross profit margin and net profit margin were up 4 and 2 percentage points as compared to the same period in 2020, reaching 32% and 19% respectively. Profit attributable to owners of the Company rose from approximately RMB150.8 million in the same period in 2020 to approximately RMB261.3 million, up 73% YoY. Basic earnings per share was RMB0.22, rising 29% YoY.

As at 30 June 2021, our Group had a contracted GFA of 82.6 million sq.m., 11.5 million sq.m. more from the end of 2020; GFA under management was 57.8 million sq.m., an increase of 12.3 million sq.m. from the end of 2020. Total contracted GFA from third parties reached 32.2 million sq.m., an increase from 33% as at the end of 2020 to 39% as a percentage of the Group's total contracted GFA. The growth in contracted GFA and GFA under management was mainly a result of our capability to expand our market and our management system which were rapidly developed.

Persisted on quality and rapid growth, continued to promote multi-dimensional expansion

Since listing, we rapidly improved our expansion capability and management system, grew our marketing team and upgraded the incentive mechanism to medium to high level, strengthened regional layout in advantageous areas, encouraged diversification while at the same time extended to cleaning and maintenance of urban space and management of public facilities to broaden our cross-business service system. Focusing on property owners' experience, we continued to win their trust and recognition with our abundance of property management experience, our pursuit of excellence and superior brand credibility, establishing a robust foundation for market expansion. During the period, we increased contracted GFA from third parties by 10.9 million sq.m.. In addition, we reached a cooperation agreement with Sino-Ocean Capital Limited to provide bespoke services to their logistic and warehouse parks and internet data centers to satisfy the owners' and tenants' diverse needs. The co-operation will further augment our capabilities in diversified formats. In mergers and acquisitions, with the resource advantages of Sino-Ocean Group Holding Limited ("Sino-Ocean Group"), we will target both national and regional companies that are compatible with our business and strategies with a view to growing regional density and increasing impact in a single city. Through consolidation of resources and connectivity of our information and operation management systems, we shall achieve economies of scale.

New growth drivers from commercial operational services to build a synergy matrix for diversified businesses

During the period, we reached a master commercial operational services agreement with Sino-Ocean Group. We have established a commercial asset management platform to provide commercial operational services for the commercial properties and office buildings held by Sino-Ocean Group and its associates, also to external parties through light-asset mode. The injection of commercial operational service businesses will form a natural connection and synergy with our existing service format, opening up various channels for a wider range of customers, sharing customer flow among commercial properties, office buildings and residential communities. Our enormous pool of residential customers can provide a stable customer base for commercial properties and office buildings. Our efficient management and operation deliver convenience and pleasant shopping and workplace experience to our customers. That in turn elevates their level of satisfaction and loyalty, creates cross-business synergy and consolidates our competitive edge. At the same time, building a light-asset platform in commercial properties and office buildings helps us to become bigger and stronger in commercial asset management, laying a sound foundation for future market expansion and service output, both in commercial operation and property management.

During the period, our commercial and office property management business maintained strong growth momentum, contracted GFA reached 6.9 million sq.m. as at 30 June 2021, up by 27% from that of the end of 2020, GFA under management reached 3.8 million sq.m., 48% more from that of the end of 2020. The quality of properties under our management is among the highest level in the industry. Rooted in artisanal service, we have always served our customers with professionalism, we focused on customers' changing needs and experiences, continued to strengthen cross-format management and mid- to high-end commercial property service capabilities. We raised innovative capacity and level of technology to build a complete-chain service team that enjoys a good brand supported by a high level of professionalism and commitment. At the same time we dug deep into major customers' needs, helped raise their operating and service capabilities, focused on expanding their newly built or overseas properties to grow both in scale and efficiency.

Expanded and enriched the boundaries and connotations of value-added services, promoted "service power+"

We continually explored new areas for community value-added services around property owners' daily life. Through refined management, we mobilized all available resources to precisely match owners' needs, and actively increased community value-added services to improve business structure and project efficiency. During the period, our community value-added services generated RMB371.8 million, RMB270.0 million more than the same period last year, up 265% YoY. We focused on four business areas including community living, leasing and sale, home decoration and resources from community space. We continually adjusted our positioning and promoted community value-added "service power+" based on data, achieved scenario-based, product-based, and refined operations, and continued to improve the quality of operations under different scenarios and customer operations services, to enable customers living in the space serviced by us enjoy health, comfort, happiness and niceties. For community living services, we consolidated resources to improve the local supply chain and product selection mechanism, plan and incubate community senior living, community tourism, community catering and community education. For leasing and sale, we are actively developing stores to increase project coverage, laying a solid foundation for one-stop full-cycle property services. For home decoration services, we upgraded business standards and cooperation resources, built benchmark projects, enhanced design and renovation in second-hand housing, and offered integrated services from smart homes to domestic services. For resources from community space, we achieved resources digitization and refined management to promote efficiency. For value-added services to non-property owners, we endeavored on expanding in all dimensions and raising service capabilities to achieve breakthroughs in formats, spaces and roles.

Refined management to build digitalized properties and craft a beautiful life for property owners and customers

During the period, we continued to improve our operation, update various standardized management systems and strengthen empowerment. We completed the integrated management of service standards, service contents, service execution and service ratings to implement project quality management and build a smart service platform to encourage interaction among property owners, tenants and users, enhance customer experience and satisfaction, and create an enjoyable life for owners and customers. At the same time, we consolidated the speedy development of our services and built digitized systems that can directly support business expansion such as an asset management system, a smart parking system and a community operating management system. These systems can promote standardization of procedures, improve service quality, information sharing and visualization of data; breakdown business sector barriers and increase monitoring of projects for better management and cost efficiency.

OUTLOOK FOR SECOND HALF OF 2021

In the second half of the year, industry concentration looks set to accelerate, differentiation will become more visible, the scale effect will be further intensified, and more mergers and acquisitions will take place. There will still be enormous room for consolidation, growth for property management enterprises will not simply focus on scale but there will be new and higher demands on regional and business planning and value-added services to sustain robust growth in the future. As the adversity brought by the pandemic gradually subsides, competition for business in commercial operation becomes increasingly fierce, challenging various brands' operating and management prowess; value-added services need to keep exploring their growth potential to stand out and reinforce for the creation of new value.

In the second half of 2021, our Group will uphold our high standards in property services given the pandemic has become the norm. We aim to enhance users' stickiness and satisfaction with professional and user-centric services. While growing in scale, we will intensify our efforts in building various mechanisms, systems and teams of expertise, improve remuneration and incentive mechanisms, upgrade digitized management system, remain alert for opportunities in the market, aim high and progress in a stable and pragmatic matter.

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, 16 August 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 six months ended 30 June 2021 is set out below:

BUSINESS REVIEW

Business overview

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. We manage a portfolio of diversified property types covering mid- to high-end residential properties and non-residential properties and have won a sound reputation in the industry on the back of our quality services and industry experience over the years.

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 offered to our customers covering the entire value chain of property management. Property management services comprise mainly security, cleaning, greening, gardening and repair and maintenance services; community value-added services comprise mainly community asset value-added services, community living services and property brokerage services; value-added services to non-property owners comprise mainly pre-delivery services, consultancy services and property engineering services provided to property developers.

To further expand the Group's business scale and provide diversified services, the Group entered into a master commercial operational services agreement with Sino-Ocean Group Holding Limited ("Sino-Ocean Group") on 14 June 2021 for the provision of commercial operational services to Sino-Ocean Group and its associates' commercial and office properties.

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.

We persisted in scale expansion emphasising both quality and efficiency. As of 30 June 2021, our contracted GFA was approximately 82.6 million sq.m., and GFA under management was approximately 57.8 million sq.m., representing an increase of approximately 16% and 27%, respectively, as compared to 31 December 2020. There were a total of 389 contracted property management projects, including 261 residential projects and 128 non-residential projects, which provided a solid foundation for attaining rapid revenue growth. We expanded our scale primarily through tender and bidding, merger and acquisition, joint venture and strategic cooperation, as we pursued intensive development of resources in vantage regions and consistently increased the density of our city coverage to enlarge our market shares, while reducing operating costs through the systems we built and economies of scale to increase project earnings. During the first half of 2021, third-party contracted GFA increased by 10.9 million sq.m. and from 33% as at the end of 2020 to 39% as a percentage of the Group's total contracted GFA, benefitting mainly from the smooth progress of our acquisition of third-party property management projects through cooperation and tenders.

The table below sets forth the breakdown of our GFA under management on the dates indicated and revenue generated from property management services by property type for the six months ended 30 June 2021 and 2020, respectively:

	As at or for the six months ended 30 June					
	2021			2020		
	GFA under management '000 sq.m.	Revenue RMB'000	%	GFA under management '000 sq.m.	Revenue RMB'000	%
Residential communities	46,912	491,994	66%	36,921	423,067	65%
Non-residential properties						
— Commercial properties	3,774	206,463	28%	2,550	181,713	28%
— Public and other properties	7,105	46,090	6%	2,829	42,886	7%
Total	57,791	744,547	100%	42,300	647,666	100%

We continued our advantages in commercial properties and injected new impetus. Contracted GFA of commercial properties in our property management business reached 6.9 million sq.m. as at 30 June 2021, up by 27% from that of the end of 2020, GFA under management reached 3.8 million sq.m., 48% more from that of the end of 2020. Our accumulated mature mid- to high-end commercial property service experience and management team have laid a good foundation for the expansion of our commercial properties sector. During the period, we acquired high-quality projects like Beijing Bitmain and Cerpark, Shenyang Times Plaza to further consolidate our advantages in managing mid- to high-end commercial properties in first- and second-tier cities. During the period, the Group entered into a master commercial operational services agreement with Sino-Ocean Group for the comprehensive provision of commercial operational services to Sino-Ocean Group's commercial properties and office buildings, including initially 11 office buildings with a total GFA of 966,000 sq.m. and 11 commercial properties with a total GFA of 905,000 sq.m. In the meantime, we have established a commercial asset management platform, which provides commercial operational services primarily to shopping malls, office buildings and other types of investment properties starting from the second half of 2021. The provision of commercial operational services will further expand the Group's end-to-end value-chain services offering comprehensive services for the daily life, shopping needs and work of property owners. Synergies among different segments will be facilitated, thereby lending broader prospects for the Group's rapid growth.

We continued to increase our effort in business sector diversification. On the foundation of our sophisticated cross-sector servicing ability, sound service quality and professional marketing teams, we have introduced an innovative incentive mechanism and continued to diversify into other business sectors, consistently broadening our property management portfolio and basically forming a multi-sector servicing regime covering residential communities, commercial properties, office buildings, schools, hospitals, industrial parks, logistic parks, internet data centers, government facilities and urban spaces, while further extending our scope to cover city services. Subsequent to 30 June 2021, we have entered into an agreement with Ourui Property Management Group Limited* for the acquisition of its 80% equity interests following prudent selection of targets for acquisition to seize market opportunities. The scale of our business with hospitals has been further expanded and our presence in Eastern China further enhanced. Through tender and bidding, we have acquired a number of premium non-residential projects. Benefitting from our brand reputation, solid capability in property management service and proven incentive policy, we recorded contracted GFA from non-residential properties of 22.3 million sq.m., and an increase from 20% as at the end of 2020 to 27% as a percentage of the Group's total contracted GFA. During the first half of 2021, we fully coordinated shareholder resources. We will provide property management services to the logistics warehouse parks and internet data centers of approximately 2.0 million sq.m. in terms of contracted GFA under Sino-Ocean Capital Limited. As we are optimistic about the sub-segment markets of logistics warehousing and internet data centers, we will work in tandem with the trends of industry development in the future to improve our park management service regime and service plans according to the diverse requirements of owners and tenants with a strong focus on providing full-cycle business support for the projects, in order to procure ongoing intensive development of the industry park property management business.

The table below sets forth the breakdown of our GFA under management on the dates indicated and revenue generated from property management services by the source of the projects for the six months ended 30 June 2021 and 2020, respectively:

	As at or for the six months ended 30 June							
	2021				2020			
	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)	39,160	68%	599,476	81%	30,205	71%	512,204	79%
Properties developed/owned by other third parties[1]	18,631	32%	145,071	19%	12,095	29%	135,462	21%
Total	57,791	100%	744,547	100%	42,300	100%	647,666	100%

Note:

1) Refer 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.

* For identification purposes only.

Our projects cover 72 cities across 24 provinces, autonomous regions and municipalities in China. Our geographical coverage has expanded from Beijing-Tianjin-Hebei region to Bohai Rim region and other regions of China, covering 5 major city clusters in China. Our regional planning is concentrated in core first-and second-tier cities, which accounted for 92% of our GFA under management. 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 gradually increase our scale in Eastern China, Southern China and Central and Western China. Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China, Southern China and Central and Western China accounted for 31%, 29%, 14%, 14% and 12% of our GFA under management, respectively.

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 six months ended 30 June 2021 and 2020, respectively:

	As at or for the six months ended 30 June							
	2021				2020			
	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]	23,973	17,711	305,036	41%	18,110	13,903	279,201	43%
Bohai Rim region[2]	21,093	16,657	152,878	21%	15,319	12,190	141,074	22%
Eastern China region[3]	11,437	8,217	140,038	19%	9,053	5,995	116,012	18%
Southern China region[4]	13,553	8,298	95,443	13%	9,773	5,747	76,610	12%
Central and Western China region[5]	12,580	6,908	51,152	6%	9,663	4,465	34,769	5%
Total	82,636	57,791	744,547	100%	61,918	42,300	647,666	100%

Notes:

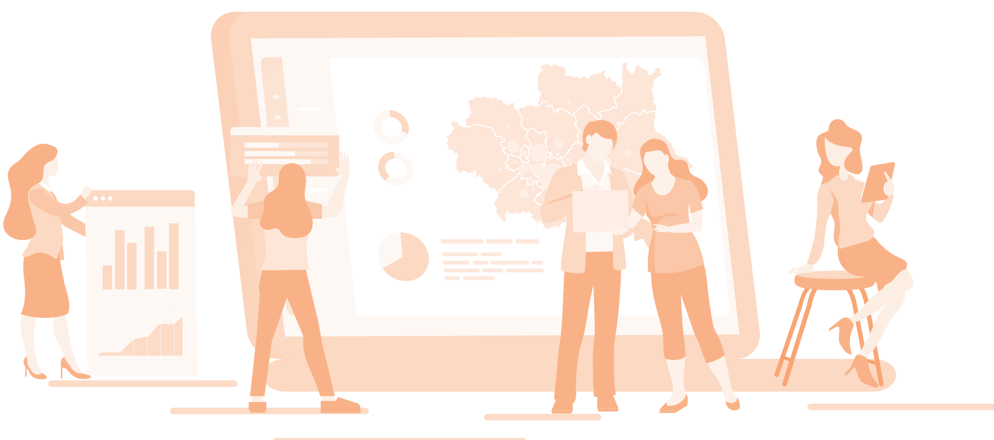
1) "Beijing-Tianjin-Hebei region" refers to cities or municipalities including Beijing, Tianjin, Shijiazhuang, Qinhuangdao, Langfang, etc.

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

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

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



The table below sets out the contracted GFA and GFA under management in different cities where our projects are mainly located in as at 30 June 2021 according to the city classification by China Business Network in 2021:

	Contracted GFA		GFA under management	
	'000 sq.m.	%	'000 sq.m.	%
First-tier cities	16,098	19%	13,943	24%
New first-tier cities	28,828	36%	19,932	35%
Second-tier cities	25,872	31%	19,139	33%
Other cities	11,838	14%	4,777	8%
Total	82,636	100%	57,791	100%

We have been focused on the building of a brand name for quality to enhance property owners' satisfaction. In persistent adherence to the principle of "serving customers with an artisan's spirit", the Group has refined and fostered project service highlights to enhance the senses of customer service and developed signature projects in our property management service for various business sectors. We implemented leadership by the customer service housekeeper, who coordinated the grid segmentation of engineering, security and environmental management work to simplify the operating process for owners. Feature services such as "Care for Seniors Golden Retirement Service", "Exclusive Housekeeping Service" and "Sino-Ocean Health Keeper" have been launched across all projects. Our response efficiency has been enhanced with the promotion of on-site dynamic quality management, handling of incident reporting and repair orders by housekeepers on behalf of customers. In connection with quality management, we have made strong efforts to optimise service standards, enhance professionalism in customer service, improve the delicacy and informatisation standards in project management and strengthen team awareness and competence for servicing, in an effort to seek improvements in the quality standards of essential property services.

Community value-added services

During the period, the Group continued to be concerned with the diverse requirements of property owners in community living, providing community value-added services to property owners and residents of our managed properties to address their lifestyle and daily needs, which included: 1) community asset value-added services; 2) community living services; and 3) property brokerage services.

Our revenue from community value-added services for the six months ended 30 June 2021 was approximately RMB371.8 million, an increase of 265% year-on-year, accounting for 27% of the Group's total revenue, which increased by 16 percentage points as compared to the corresponding period of 2020. During the first half of 2021, we further improved our community value-added service regime by leveraging internal and external systems to drive the business standardisation process. Our talent recruitment and training regime was also optimised with the organisation of store manager training, property commentary contest and training in sales and lease business systems to empower staff for the provision of better value-added services. In connection with community living services, we commenced the operation of "Ocean Homeplus U-select", a new online retail platform, and established 14 urban retail platforms to integrate suppliers' resources and procure platform sales. In connection with resources from community spaces, we were focused on technology-driven efficiency, as our carpark management service reported a 47% growth in revenue reflecting the benefit of the resource management system. In connection with property brokerage services, we established 36 property leasing and sale centres in operation, achieving breakthroughs in both coverage and turnover. In connection with home decoration services, a national business resources database has been built with streamlined suppliers' resources to facilitate the promotion of standardised services and products.

The following table sets forth the breakdown of our revenue generated from community value-added services by service type for the six months ended 30 June 2021 and 2020, respectively:

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Community asset value-added services[1]	183,347	49%	84,072	83%
Community living services[2]	83,774	23%	10,142	10%
Property brokerage services[3]	104,633	28%	7,505	7%
Total	371,754	100%	101,719	100%

Notes:

1) Mainly include carpark management services, utility management services and community space operation services.

2) Mainly include housekeeping and cleaning services, repair and maintenance services of home appliances, electric equipment and permanent fixtures, retail sales of commodities, home decoration services and other bespoke services.

3) Mainly include sales transactions of parking spaces, agency in the resale or lease transactions of owners' properties and parking spaces.

Value-added services to non-property owners

Value-added services provided by the Group to non-property owners comprise mainly 1) pre-delivery services provided to property developers; 2) consultancy services; and 3) property engineering services.

Our revenue from value-added services to non-property owners for the six months ended 30 June 2021 was approximately RMB268.3 million, an increase of 74% as compared to the corresponding period of last year, accounting for 19% of the Group's total revenue. In connection with property engineering services, we sought technological empowerment of our business with a persistent focus on engineering maintenance and a market-oriented approach. With our management and operation of facilities at medical venues winning owners' recognition, we developed a number of external customers during the period, including a number of key projects like Chinese PLA General Hospital and Peking Union Medical College Hospital, while establishing our presence in the market for smart city operational maintenance and management, we are also deploying utility management services to comprehensively manage carbon emissions to provide maintenance and protection for smart city hardware operation and city space operation and management. For the period, revenue from property engineering services increased by 312%, year-on-year, to RMB111.8 million.

The following table sets forth the breakdown of our revenue generated from value-added services to non-property owners by service type for the six months ended 2021 and 2020, respectively:

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Pre-delivery services[1]	90,156	34%	102,796	67%
Consultancy services[2]	66,349	25%	24,403	16%
Property engineering services[3]	111,795	41%	27,110	17%
Total	268,300	100%	154,309	100%

Notes:

1) Mainly represents on-site services to offer pre-delivery services to property developers, such as assistance for their sales and marketing activities at property sales venues and display units, so as to create high-quality service brands 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 issues 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 and outlook

- Ongoing expansion of business scale to drive rapid overall business development. Leveraging fully our advantage in market size afforded by our in-depth deployment in cities and our brand influence, we will continue to increase the density of our project presence in regions with higher population density and spending power, with a special emphasis on the development of projects with sound efficiency and offering synergetic effects among different sectors. We will further optimise the allocation of our investment and development resources and market team regime on the back of our existing projects under management, with a strong focus on core high-value cities. Priority will be given to the development of signature projects located in core commercial districts and providing brand effect through a variety of means, such as merger and acquisition, tender and bidding, joint venture, tag-along with major customers and strategic cooperations. We will continue to work in coordination with the premium businesses and customer resources of Sino-Ocean Group and explore business development in cities with the potential of offering high value, in order to identify new opportunities in the city service segment.

- In-depth search and integration of community resources to drive qualitative growth in our community value-added services. We will continue to pursue in-depth development as well as broaden the scope of our existing community value-added services based on property-owners' requirements with a special focus on our principal businesses, as we continue to advance the development of "servicing ability+". Internally, the integration of resources with an improved resource utilisation rate will be sought through the creation of a centralised management system and platform, while business expansion and new business trials will be pursued with a top-down approach to forge an independent commercial model. Externally, we will seek to connect the vertical and horizontal service chains and improve our service ecosystem through investment in or cooperation with upstream and downstream service companies and institutions, while enhancing servicing capabilities through digitalised operations. Meanwhile, we will monitor community value-added services with good potential, including sub-segments such as community retirement services, tourism, food catering and future education. In connection with community retirement services, we will leverage our closeness to the community and ability to provide quick response as well as Sino-Ocean Group's resources in various specialisations to provide, on a trial basis, a diverse range of quality-proven home services and products for retirees to seniors of a relevant age group in the community who have such needs, in an attempt to build an online and offline smart retirement service regime with special features.

- Forging core competitiveness in commercial operation and servicing capabilities for the full value chain. We will continue to optimise our existing commercial operation and management regime, train up our operation teams and enhance tenants' and consumers' experience with the dynamic application of big data analysis. Meanwhile, we plan to forge a commercial management brand with the hallmark of Sino-Ocean Service by integrating the property management and commercial operation teams and resources. With our signature projects attracting brand resources and high-calibre talents, core competitiveness in commercial operation will be forged and an asset-light business model integrating commercial operation and property management will be formed. We will also start to develop an integrated mega membership regime to chain up various types of properties under our management, daily-life scenarios involved and user groups, so as to enhance user stickiness and create a platform for comprehensive daily-life services.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2021 increased significantly by 53% to RMB1,384.6 million, from RMB903.7 million in the first half of 2020. Property management services segment remained the largest contributor which accounted for approximately 54% of total revenue.

The following table sets forth the breakdown of our total revenue by business lines for the six months ended 30 June 2021 and 2020 respectively:

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Property management services	744,547	54%	647,666	72%
Community value-added services	371,754	27%	101,719	11%
Value-added services to non-property owners	268,300	19%	154,309	17%
Total	1,384,601	100%	903,694	100%

Revenue from property management services for the six months ended 30 June 2021 increased by 15% to RMB744.5 million from RMB647.7 million for the six months ended 30 June 2020. This increase was mainly attributable to the increase in our GFA under management from 42.3 million sq.m. as at 30 June 2020 to 57.8 million sq.m. as at 30 June 2021 and an increase in the number of properties under management from 210 as at 30 June 2020 to 281 as at 30 June 2021 due to our business expansion.

Revenue from community value-added services for the six months ended 30 June 2021 increased significantly by 265% to RMB371.8 million (six months ended 30 June 2020: RMB101.7 million). Revenue from community asset value-added services for the six months ended 30 June 2021 increased by 118% to RMB183.3 million, contributed by the increase in revenue from carpark management as we adopted a resource management system to coordinate the management of carpark spaces. Revenue from community living services for the six months ended 30 June 2021 increased by RMB73.7 million to RMB83.8 million as compared to RMB10.1 million for the six months ended 30 June 2020, which was mainly attributable to the increase in income from home decoration services because of our vigorous promotion for the business during the period, and the increase in income from retail selling businesses, as we launched a mini-program in Wechat for online retail selling businesses during the period. Revenue from property brokerage services for the six months ended 30 June 2021 increased by RMB97.1 million to RMB104.6 million as compared to RMB7.5 million for the six months ended 30 June 2020 as a result of our successful expansion of the coverage of our property brokerage services during the period.

Revenue from value-added services to non-property owners for the six months ended 30 June 2021 increased by 74% to RMB268.3 million (six months ended 30 June 2020: RMB154.3 million). The increase was mainly driven by the increase in revenue from property engineering services for the period by 312% to RMB111.8 million (six months ended 30 June 2020: RMB27.1 million), as the property engineering activities during the corresponding period in 2020 was generally delayed because of the pandemic, and we undertook more property engineering projects for the repair and maintenance services and smart management services for property projects during the period. On the other hand, revenue from consultancy services for the six months ended 30 June 2021 increased by 172% to RMB66.3 million (six months ended 30 June 2020: RMB24.4 million), which was mainly due to our vigorous promotion and the increase of bespoke services for our customers during the period. The increase was partially offset by the decrease in revenue from pre-delivery services for the six months ended 30 June 2021 by 12% to RMB90.2 million from RMB102.8 million for the six months ended 30 June 2020, which was primarily because property developers have generally controlled the scale of their property sales venues during the pandemic.

Cost of sales

In line with the significant increase in revenue, cost of sales for the six months ended 30 June 2021 increased by 46% to RMB943.4 million from RMB646.6 million for the six months ended 30 June 2020. This increase was mainly attributable to the increase in cost of sales for community value-added services and value-added services to non-property owners.

The cost of sales comprise of mainly sub-contracting cost, staff cost, maintenance expenses, utilities and cost of consumables and raw materials.

Sub-contracting cost for the six months ended 30 June 2021 increased by 12% to RMB311.3 million (six months ended 30 June 2020: RMB277.1 million), which was primarily attributable to an increase in our GFA under management as well as a general increase in sub-contracting fees charged by our sub-contractors which mainly reflected an increase in labor costs of our sub-contractors.

Staff cost for the six months ended 30 June 2021 increased by 28% or RMB61.2 million as compared to that in the six months ended 30 June 2020, which was mainly due to the overall increase in salary level in accordance with the continuous increase in the number and scale of the Group's projects under management since the second half of 2020. Also, we were entitled to certain exemptions from contributions of social insurance by the local governments in response to the outbreak of 2019 Novel Coronavirus during the first half of 2020, there was no such exemptions in 2021.

In accordance with the increase in revenue in property engineering services, maintenance expenses and cost of consumables and raw materials for the six months ended 30 June 2021 increased by 98% and 109% to RMB104.2 million and RMB43.2 million respectively (six months ended 30 June 2020: RMB52.5 million and RMB20.7 million respectively).

Utilities cost for the six months ended 30 June 2021 increased by 49% to RMB60.6 million from RMB40.6 million for the six months ended 30 June 2020, mainly because of our increase in business scale during the six months ended 30 June 2021.

Cost of selling carpark spaces for the six months ended 30 June 2021 was RMB33.0 million, which represents 31.2 times of that for the six months ended 30 June 2020, the significant increase was due to more carpark spaces sold during the period.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2021 increased by 72% to RMB441.3 million from RMB257.1 million for the six months ended 30 June 2020. Our overall gross profit margin for the six months ended 30 June 2021 increased to 32% from 28% for the corresponding period in 2020 primarily due to the increase in gross profit margin in our property management services and the increased contribution in revenue from community value-added services which have higher gross profit margins.

Gross profit and gross profit margin of the Group by business lines for the six months ended 30 June 2021 and 2020 respectively were as follows:

	Six months ended 30 June			
	2021		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%
Property management services	200,008	27%	157,568	24%
Community value-added services	186,498	50%	64,147	63%
Value-added services to non-property owners	54,744	20%	35,401	23%
Total	441,250	32%	257,116	28%

Gross profit margin for property management services for the six months ended 30 June 2021 increased to 27% (six months ended 30 June 2020: 24%) primarily due to our successful improvement of staff efficiency in response to the increase in number of projects, resulting a relatively stable staff cost as compared to the increase in the GFA under management.

Gross profit margin for community value-added services for the six months ended 30 June 2021 decreased to 50% from 63% for the six months ended 30 June 2020 primarily due to an increase in revenue contribution from community living services at a lower gross profit margin.

Gross profit margin for value-added services to non-property owners for the six months ended 30 June 2021 decreased to 20% from 23% for the six months ended 30 June 2020 primarily due to an increase in revenue contribution from property engineering services at a lower gross profit margin.

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 87% to RMB14.0 million for the six months ended 30 June 2021 from RMB107.1 million for the six months ended 30 June 2020. This decrease was mainly attributable to the decrease of interest income from loans due from a related party of RMB98.5 million since the loan was early settled by the related party in full during the second half of 2020.

We recorded other net losses of RMB8.0 million for the six months ended 30 June 2021 (six months ended 30 June 2020: net gain of RMB1.8 million) mainly due to net foreign exchange losses of RMB9.5 million arising from the foreign currency deposits as RMB has appreciated against HKD during the first half of 2021.

Operating expenses

Selling and marketing expenses for the six months ended 30 June 2021 increased by approximately RMB4.1 million to RMB6.2 million (six months ended 30 June 2020: RMB2.1 million). The significant increase was mainly due to the resumption of community activities during the six months ended 30 June 2021 as the epidemic in mainland China has eased.

Administrative expenses for the six months ended 30 June 2021 increased by 31% to RMB97.5 million as compared to RMB74.2 million for the six months ended 30 June 2020. This increase was primarily due to the increase in post-listing related expenses and staff cost during the period as there are more staff being recruited after the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and there had been no exemptions from contributions of social insurance during 2021. Apart from that, office-related expenses during the six months ended 30 June 2021 increased by RMB11.1 million to RMB17.6 million as compared to RMB6.5 million for the six months ended 30 June 2020, mainly due to an increase in number of administrative staff and the increased number of business trips in accordance with the expansion of businesses during the period. The increase is partially offset as we incurred listing expenses of RMB16.3 million for the six months ended 30 June 2020 but nil for the six months ended 30 June 2021.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by RMB6.9 million to RMB21.0 million for the six months ended 30 June 2021 from RMB14.1 million for the six months ended 30 June 2020, the increase was primarily due to the increase of trade receivables as at period end date in line with our business expansion.

Finance costs

Finance costs for the six months ended 30 June 2021 decreased by 99% to RMB0.5 million from RMB79.7 million for the six months ended 30 June 2020, which was mainly attributable to a decrease of RMB79.3 million in interest expenses of asset-backed securities since we have early repaid it in full during the second half of 2020 pursuant to the asset-backed securities agreement.

Share of results in joint ventures

Share of results in joint ventures for the six months ended 30 June 2021 increased by RMB17.9 million to RMB19.2 million (six months ended 30 June 2020: RMB1.3 million). The significant increase was mainly attributable to the share of profit from the 50% equity interest in two property management companies we acquired on 30 June 2020.

Taxation

In line with the increase of profit before income tax, income tax expense for the six months ended 30 June 2021 increased by 78% to RMB77.7 million (six months ended 30 June 2020: RMB43.6 million). Effective tax rate for the period was 23% (six months ended 30 June 2020: 22%).

Profit attributable to owners of the Company

Benefiting from the increase of revenue and the improvement in profitability during the period, the profit attributable to owners of the Company for the six months ended 30 June 2021 increased by 73% to approximately RMB261.3 million, as compared to RMB150.8 million for the six months ended 30 June 2020. Our management will continue to focus on the improvement of our shareholders' return as on-going task.

Investment properties

Our investment properties as at 31 December 2020 represented certain community facilities and carpark spaces located in the PRC which were held to earn rentals and for capital appreciation. As management considered that the intention of holding such properties has become external sales purposes, the Group has transferred all of its investment properties to inventories during the first half of 2021 accordingly. As at 30 June 2021, the Group did not have any investment properties.

Property, plant and equipment

Property, plant and equipment mainly consisted of electronic equipment, leasehold improvements, office equipment and vehicles. As at 30 June 2021, the Group's property, plant and equipment decreased to approximately RMB18.7 million from approximately RMB20.2 million as at 31 December 2020 primarily due to depreciation, coupled with disposal of old plant machinery and electronic equipment.

Intangible assets

Our intangible assets comprised of computer software, property management contracts and customer relationship, trademark and goodwill. As at 30 June 2021, the Group's intangible assets decreased by 3% to RMB103.4 million from RMB107.0 million as at 31 December 2020 primarily due to amortization during the period.

Inventories

Our inventories primarily consisted of carpark spaces and community facilities held for sale and consumables held for consumption during the provision of property management services. Our inventories as at 30 June 2021 increased to RMB176.7 million (31 December 2020: RMB122.9 million) mainly because the Group transferred certain community facilities and carpark spaces, which were classified as investment properties, to inventories during the period for the reason mentioned under the paragraph headed "Investment properties" above.

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 is generally granted for value-added services to non-property owners.

As at 30 June 2021, our trade and note receivables amounted to RMB506.8 million, representing an increase of 61% as compared to RMB315.5 million as at 31 December 2020. The increase was in line with our significant increase of revenue from value-added services to non-property owners during the period. The average trade and note receivables turnover days was 63 days (31 December 2020: 76 days). We will continue to enhance various measures to ensure the timeliness and expedite the recovery of our trade and note receivables.

Prepayments and other receivables

Our prepayments and other receivables include prepayment to suppliers, other receivables and prepaid tax which in aggregate increased to RMB154.4 million as at 30 June 2021 from RMB114.7 million as at 31 December 2020. The increase was primarily due to the payment of a refundable deposit amounting to RMB30.0 million for participating in the bidding process for the acquisition of a project.

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 30 June 2021, our trade and other payables amounted to RMB784.7 million, representing an increase of 19% as compared to RMB659.8 million as at 31 December 2020, which is in line with the increase in cost of sales during the first half of 2021. The average trade payables turnover days remained stable at 66 days (31 December 2020: 64 days).

Contract liabilities

Contract liabilities represent our obligations to provide the contracted property management services, community value-added services and value-added services to non-property owners. Our contract liabilities mainly arise from the advance payments made by customers while the underlying services such as property management services, carpark management services and property engineering services are yet to be provided. As at 30 June 2021, our contract liabilities amounted to RMB386.2 million, representing an increase of 18% as compared to RMB327.9 million as at 31 December 2020 which was in line with the increase in revenue from property management services.

Capital expenditures

In the first half of 2021, we incurred capital expenditures of RMB3.6 million (first half of 2020: RMB1.7 million), which mainly consisted of purchase of property, plant and equipment such as electronic equipment and plant and machinery.

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 business acquisition. We meet these cash requirements by relying on our cash on hand and at financial institutions, net cash flows from operating activities and net proceeds from listing as our principal source of funding.

As at 30 June 2021, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB2,366.2 million, of which 1% (31 December 2020: 72%) of the Group's cash resources were denominated in HKD with the remaining balances mainly denominated in RMB, and a current ratio of 2.6 times (31 December 2020: 2.7 times). We have ample financial resources and an adaptable financial management policy to support our business expansion in the coming years.

As at 30 June 2021 and 31 December 2020, the Group had no borrowings.

Major investments

As at 30 June 2021, we did not have any significant investments.

Save as disclosed in the paragraphs headed "Use of net proceeds from listing", we have no other plans for material investments.

Capital commitments

During the six months ended 30 June 2021, the Group entered into an agreement in respect of acquisition for a property management company in Hunan. As at 30 June 2021, the Group had a total capital commitment of RMB46.2 million (31 December 2020: Nil). Subsequent to 30 June 2021, the Group and the counterparty agreed mutually to terminate the above agreement. Save as disclosed above, we did not have other significant capital commitments as at 30 June 2021.

Charge on assets

As at 30 June 2021, we did not have any charges on our assets.

Contingent liabilities

As at 30 June 2021, we did not have any significant contingent liabilities.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2021.

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 in December 2020, 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 six months ended 30 June 2021, the Group did not use any financial instruments for hedging purpose.

Employees and human resources

As at 30 June 2021, the Group had 6,460 employees (31 December 2020: 5,928 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 the six months ended 30 June 2021 was approximately RMB343.1 million (six months ended 30 June 2020: RMB256.0 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 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 30 June 2021, our planned use and actual use of net proceeds from listing was as follows:

	Percentage of net proceeds	Available to utilise	Utilised during the period	Accumulated utilised (up to 30 June 2021)	Unutilised (as at 30 June 2021)	Expected timetable for the usage of the unutilised net proceeds as of 30 June 2021
	%	RMB million	RMB million	RMB million	RMB million	
Pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business[2]	60%	855.8	30.0[1]	30.0	825.8	On or before 31 December 2023
Develop smart community through upgrading of our systems for smart management	20%	285.3	4.7	4.7	280.6	On or before 31 December 2023
Enhance our level of digitization and our internal information technology infrastructure	10%	142.6	2.3	2.3	140.3	On or before 31 December 2023
Working capital and general corporate purpose	10%	142.6	5.6	5.6	137.0	On or before 31 December 2022
Total	100%	1,426.3	42.6	42.6	1,383.7	

The unutilised net proceeds as at 30 June 2021 were deposited with licensed banks or financial institutions in Hong Kong and mainland China for short-term deposits.

Notes:

1) The Group has paid a refundable deposit of RMB30.0 million (equivalent to HKD36.1 million) for participating in the bidding process for obtaining a project for property management and value-added services from an independent third party. The deposit has been refunded to the Group in full in July 2021 as the abovementioned bidding was unsuccessful.

2) The Group has entered into an equity transfer agreement with an independent third party, pursuant to which the Group has agreed to acquire 70% equity interests in the target company that provides property management and value-added services at a consideration of RMB46.2 million (equivalent to HKD55.5 million). Subsequent to 30 June 2021, the Group and the counterparty agreed mutually to terminate the above equity transfer agreement. Nil proceed was used in relation to the above equity transfer agreement.

INVESTOR RELATIONS REPORT

PROMOTING VALUES

Our management attaches great importance to effective communication with shareholders, 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 that they could reasonably evaluate the Company's value. This will enhance investors' confidence in the Company, thereby creating maximum value for our shareholders.

During the first half of 2021, our investor relations department actively participated in and commenced promotional activities in the capital market, including the first annual results presentation and roadshow after listing, project research, one-on-one interviews and investors' presentations hosted by securities companies. During the period, the Company's investor relations and communication activities are summarised as follows:

2021	Major Events
March	2020 annual results presentation for investors 2020 annual results non-deal roadshow series and recommendation activities
April	Industrial Securities — Spring Strategic Meeting 2021 Zhixin Cloud — Online Roadshow Haitong Securities — Spring Forum for Listed Companies 2021 CITIC Securities — Sino-Ocean Service Outlook 2021 China Securities — Hong Kong Stock Spring Investment Summit 2021 Industrial Securities — Sino-Ocean Taikoo Li Chengdu (Chengdu) Research

May	Guosen Securities — Interim Investment Strategy Meeting and Listed Companies' Forum 2021 TF Securities — Online Investors' Forum Investors' Beijing Project Research Zhixin Caijing — Sino-Ocean Service Beijing Project Research
June	Shenwan Hongyuan — High-end Forum on Commercial Properties 2021 Huatai Securities — Interim Investment Summit 2021 TF Securities — Online Interim Strategic Meeting 2021 Guoyuan Securities — Online International Investors' Forum Everbright Securities — Online Investors' Forum Investors' telephone conference on the commencement of commercial operational services business Industrial Securities — Interim Strategic Meeting 2021 CICC — Online Corporate Forum 2021 Haitong Securities — Online Roadshow 2021 Haitong Securities — Interim Investment Strategy Reporting Session 2021 Citi Asia Pacific — Online Property Summit 2021 Wonderful Sky — IDEAS Summit Haitong Securities — Sino-Ocean Service Beijing Project Research First Shanghai — Telephone Conference Sunwah Kingsway — Online Forum

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

Share price performance

For the trading days during the period from 1 January 2021 to 30 June 2021, the Company recorded:

January to June 2021	Highest	Lowest
Price per share of the Company (HKD)	6.50	3.81

Share price performance for the first half of 2021 (1 January 2021 to 30 June 2021)

As at 30 June 2021, the total number of issued shares of the Company was 1,184,000,000 shares, and the closing price was HKD6.01. Based on the closing price on 30 June 2021, the market capitalisation of the Company was approximately HKD7,115.84 million.

SUSTAINABILITY REPORT

On 30 June 2021, Sino-Ocean Service Holding Limited ("Sino-Ocean Service" or the "Company") and its subsidiaries (collectively the "Group" or "we") published the "Sino-Ocean Service Holding Limited 2020 Environmental, Social and Governance Report", which was prepared in accordance with the "Environmental, Social and Governance (ESG) Reporting Guide" set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in compliance with the requirements of the reporting standards of "materiality", "quantitative", "balance" and "consistency". The "materiality" principle is addressed by the materiality analysis of social responsibility, the principles of "quantitative" and "consistency" are addressed through the provision of quantitative information checklists, and the "balance" principle is addressed through reviews on negative issues and underperformance. The attainment of environmental, economic and social development in a coordinated manner in the course of operation is central and crucial to the sustainable development of an enterprise. As such, the Company has consistently incorporated the sustainability concept into its strategy and day-to-day business management, in a bid to achieve qualitative corporate development.

FOUNDATION FOR THE FUTURE: FORGING A SOLID BEDROCK FOR PROGRESS

Persisting in corporate governance in accordance with law, operational compliance and integrity, Sino-Ocean Service has been actively forging a responsible supply chain and to reinforce the foundation for services, so as to create a better future together. We are supported by an independent and experienced management team and has established a management regime comprising the board (the "Board") of directors (the "Directors"), the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors, is responsible for formulating strategic guidelines for the Company, supervising its business performance, and ensuring the effectiveness of risk management and the corresponding internal control system, in order to generate long-term benefits for the Company and its stakeholders. We disclose relevant information in a true, accurate, complete and timely manner through the website of the Stock Exchange and the Company's official website in strict accordance with the requirements of relevant laws and regulations and regulatory documents in fulfilment of our obligation of information disclosure as a listed company, in order to ensure the openness, fairness and impartiality of corporate information disclosure and protect the legitimate rights of the Company, its investors and minority shareholders. We also strictly abide by national and local laws and regulations with a strong emphasis on the development of Chinese Communist Party principles of integrity and anti-corruption. Education and training in probity is organised regularly to enhance staff awareness of probity, while suppliers are required to sign the "Integrity and Self-discipline Undertaking" to avoid acts in violation of integrity requirements.

SINCERE SERVICE IN METICULOUS QUEST FOR CUSTOMER SATISFACTION

Sino-Ocean Service has been committed to the service philosophy of "being understanding and innovative", continuously enhancing customer satisfaction and optimizing quality management, in a bid to become a leading provider of comprehensive property management services focused on mid- to high-end properties and a creator of healthy living in China. We are actively engaged in customer relations management under the central principle of customer satisfaction. Satisfaction surveys are conducted among property owners and residents on a regular basis, complemented by mystery customer surveys and proactive telephone enquiries to identify issues. Annual and monthly property management work reports have been prepared for inspection by all owners of the communities under our management. Multiple channels for communication with customers, including an information service platform and a 24-hour toll-free customer service hotline serving property owners and residents, have been established for more efficient response to customers' needs and demands, so that customers could experience services that are convenient, reliable, satisfactory and pleasantly surprising, and harmony and happiness could be fostered in the community.

PROTECTING THE LUSH LANDSCAPE, BUILDING A GREEN HOME TOGETHER

Sino-Ocean Service consistently improves its environmental management in adherence to eco-friendly principles; the environmental impact of our operations is a matter of high priority for us, as we seek to employ resources in a scientific manner and manage emissions with high efficiency; we emphasise protection of the environment and natural resources and seek to contribute our effort to the building of a green home on Earth. We deal with the possible negative impact on the natural environment of our operations as a matter of high priority in strict compliance with national and local laws and regulations pertaining to environmental protection. Energy conservation measures have been implemented, such as giving priority eco-friendly models, energy-saving electrical appliances and equipment in daily operations, while equipment with high energy consumption levels and low energy efficiency are progressively phased out. Shared use of business vehicles during group activities is advised, while the use of vehicles for short-distance travel is discouraged, with a view to increasing the efficiency of vehicle use. Advanced energy-saving water pumps are adopted as part of energy-saving conversion of water supply systems to save water; while water consumption is subject to stringent operating rules to prevent water wastage. In active response to the call for household waste sorting in national and local policies, the “Sino-Ocean Management System for Household Waste Sorting” has also been formulated to introduce systems, processes and standards for the management of the Company’s waste sorting items and drive the legal, regulated and efficient development of the Company’s waste sorting work. Waste sorting work has also been advanced in strict accordance with relevant systems, whereby separate storage of waste is strictly implemented according to the categories and characteristics of waste generation, and timely transit to the Company’s waste transfer station is ensured. Waste storage is partitioned and waste is handled accordingly to create a safe and hygienic environment for owners.

To promote green living, we have launched the “Enjoy Life Plus Programme” dedicated to the improvement of the communal environment and maintenance of facilities and equipment, in an ongoing community initiative to promote public health and improve the neighbourhood environment.

BENEFITS FOR ALL IN GRATEFUL REWARD TO THE MOTHERLAND

In active fulfilment of its responsibility as a corporate citizen, Sino-Ocean Service helps its staff to realise their own potential as part of its genuine act to reward the society and contributions to the fostering of a harmonious society. Persisting in a people-centric approach, we improve our talent management system on an ongoing basis and provide a comprehensive remuneration and benefit regime for our staff, while different types of staff training (such as induction training, pre-job training, training of job-specific skills and training for special job positions, among others) are provided to help the growth and fulfilment of staff. Smooth pathways for staff development are offered and sound work conditions are provided to build a stage on which staff can realise their potential. Meanwhile, to procure staff health and enhance staff unity, group activities such as sporting events, cultural programmes, entertainment and reporting sessions are organised to enhance staff sense of belonging and happiness in a happy enterprise.

We are concerned with people’s livelihood and social progress, with a special focus on assistance for the poor and the agricultural workers. We are dedicated to community welfare and charity and seek to contribute to community development, in an effort to achieve co-development of the enterprise and the community in harmony. Regarding harmony with the community, we are committed to sharing the results of our development with the community. In this connection, the “Guidebook for Operation of Customers’ Social and Cultural Activities” has been formulated, in a bid to serve residents in the community by leveraging the Company’s advantages. Activities such as education aid for the poor, care for the underprivileged and improvements to people’s livelihood have been organised to promote social harmony through concrete actions. In connection with defined poverty aid, we have built platforms that facilitate the matching of providers and receivers of assistance to market agricultural products under assistance initiatives in the residential communities, leveraging our nationwide presence to help impoverished population to secure employment and increase income.

Sino-Ocean Service believes that sustainability is paramount to the Company’s development. On the basis of its strategic planning and in adherence to its principle of “being understanding and innovative”, Sino-Ocean Service will continue to work with all parties in united effort to create an ecosystem of shared living space and benefits where the environment, community and partners should prevail and to share the goodness of service.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, none of the directors (the "Directors") and the chief executive (the "Chief Executive") of Sino-Ocean Service Holding Limited (the "Company") or their close associates had any interests or short positions in the shares, underlying shares and debentures of the Company, as recorded in the register required to be kept by the Company under section 352 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange.

As at 30 June 2021, the interests of each of the Directors and the Chief Executive 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 by the Company under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in the underlying shares and shares of the associated corporation

Name of Directors	Name of associated corporation	Nature of interests	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	Approximate percentage of total issued share capital of associated corporation
					(HKD)		(long position)	(note)
Mr. YANG Deyong	Sino-Ocean Group Holding Limited ("Sino-Ocean Group")	Beneficial owner	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 Group	Beneficial owner	–	–	–	–	38,531	0.001%
Mr. CUI Hongjie	Sino-Ocean Group	Beneficial owner	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 Group	Beneficial owner	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 Group's total number of issued ordinary shares of 7,616,095,657 as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors nor the Chief Executive or their close associates had any interest or short position in any of the shares, underlying shares or debentures of associated corporations of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2021 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 any equity or debt securities of the Company or any other body corporate or had exercised any such right.

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 30 June 2021, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company (the "Shares"), being interests of 5% or more, in addition to those disclosed above in respect of the Directors and the Chief Executive (if any):

Name of substantial shareholders	Capacity	Long/short position	No. of Shares held	Approximate percentage of the Company's issued share capital (note (ii))
Shine Wind Development Limited ("Shine Wind") (note (i))	Beneficial owner	Long position	800,000,000	67.57%
Sino-Ocean Group	Interest in controlled corporation (note (i))	Long position	800,000,000	67.57%

Notes:

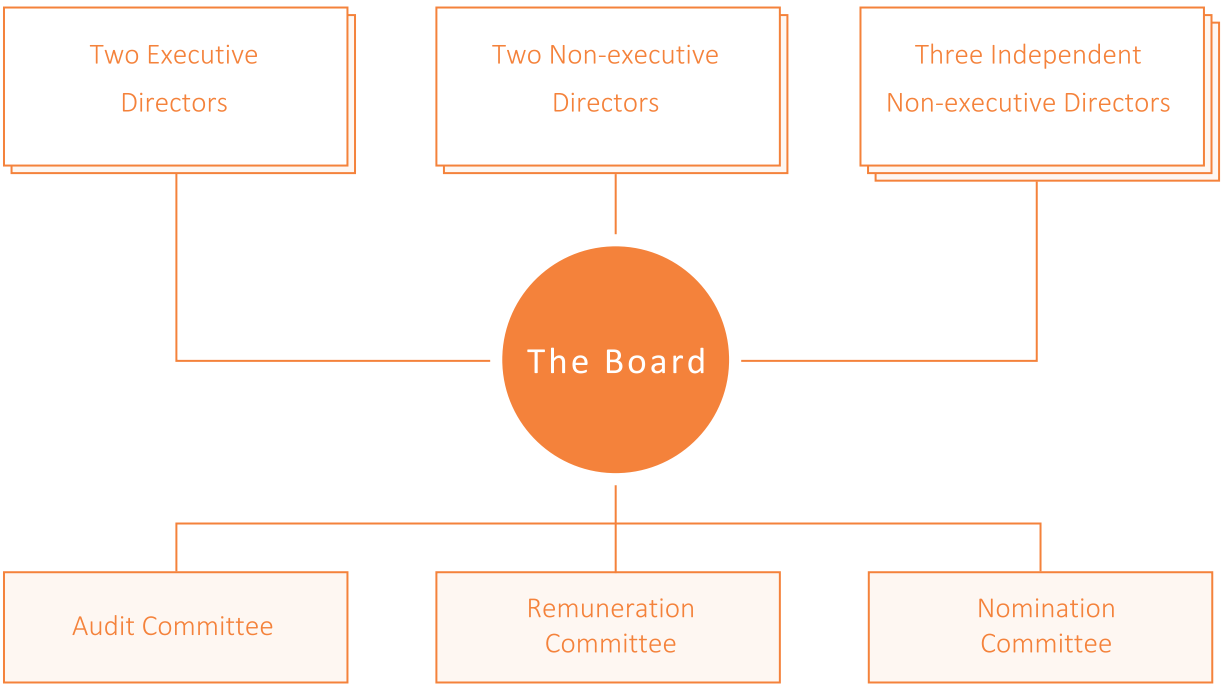
(i) Shine Wind is a wholly-owned subsidiary of Sino-Ocean Group and therefore Sino-Ocean Group is deemed to be interested in the Shares held by Shine Wind by virtue of the SFO.

(ii) Calculated based on the Company's total number of issued Shares of 1,184,000,000 as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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 Part XV of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE



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.

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2021, 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 Chairmen provide leadership, guidance for the Board and ensure 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 Chairmen are 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.

In addition, all major decisions are made in consultation with the Board and the senior management of the Company. There are three independent non-executive Directors (the "INEDs") and two non-executive Directors (the "NEDs") on the Board. The Company established a joint chairmen structure 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 believes that this structure is in the best interest of the Company and the Board will review the current structure from time to time and make any necessary arrangements as appropriate.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of three INEDs, namely Mr. ZHU Lin, Dr. GUO Jie and Dr. XUE Jun, and two NEDs, namely Mr. CUI Hongjie and Mr. ZHU Xiaoxing. Mr. ZHU Lin is the chairman of the Audit Committee.

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 Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control, risk management and financial reporting matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021 and this interim report.

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 of the Company, including benefits in kind, pension rights and compensation payments.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises five members, being an Executive Director, Mr. YANG Deyong, a NED, 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 of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

Duties of the Board and the management

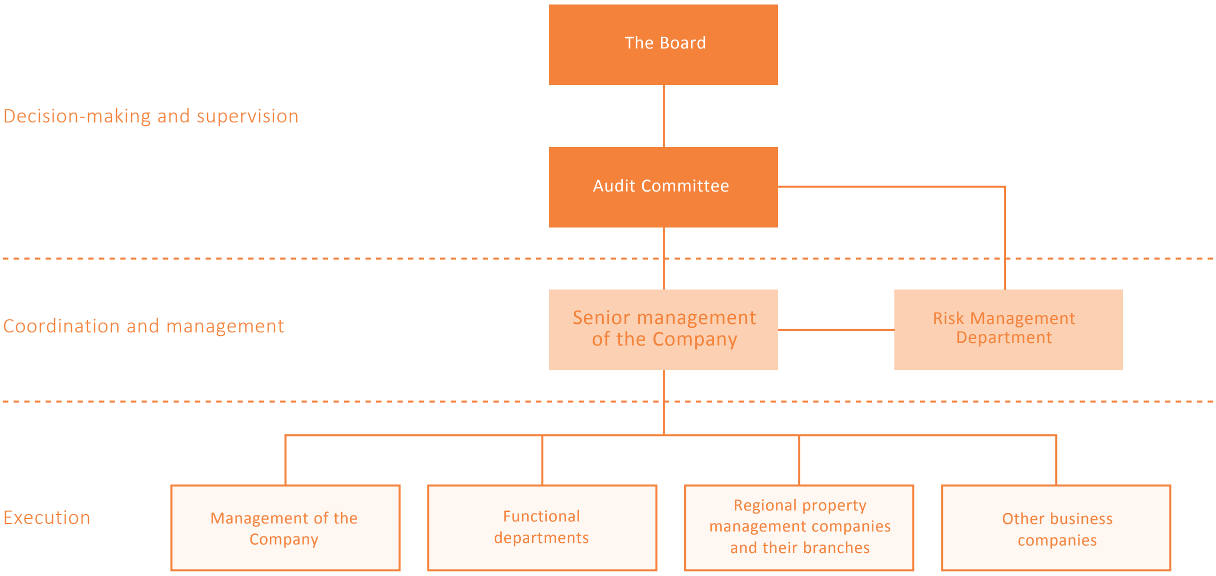
The Board reviews the Group's risk management and internal control system annually to determine, among other things, whether the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions are adequate. The review 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 functions. The Board is also responsible for the risk management and internal control systems of the Group and reviewing their effectiveness.

Risk management

The Group is of the view that effective risk management is crucial to its business sustainability and success in the long term. To perfect the Group's risk management work, improve the quality of its operations, foster a sound culture for risk management, establish a comprehensive risk management regime, facilitate the accomplishment of the Group's overall strategic and operating goals and ensure the regulation and standardisation of risk management, the Company has formulated the "Comprehensive Risk Management System" as the standards for its risk management work.

The Board, the management and the functional departments, the subsidiary units and all staff of the Company have jointly participated in risk management and established an official organisational structure for risk management. Through the implementation of basic risk management processes and strategies in various steps and operating procedures of the Company's management based on its strategic and operating goals, relevant control measures are carried out in respect of the internal and external uncertainties in the Company's operation that might compromise the Company's interests to maximise such interests. The Company's Risk Management Department ("Risk Management Department") is responsible for the organisation, coordination and centralised management of the Company's risk management work and furnishes the risk management work plan for the ensuing year at the end of each year to organise risk assessment work, whereby all functional departments and subsidiary units conduct relevant tasks such as risk identification and assessment and formulate risk response plans in accordance with the plan.

Organisational structure of risk management



Risk management process

Risk identification	potential risks associated with policy changes and changes in the environment that might affect the achievement of the Company's goals and its business operation are identified and managed on a differentiated basis according to different risk characteristics by corresponding management personnel or relevant positions. Each year, relevant risk information of the units is submitted to the Risk Management Department, which establishes a risk order list at the Company level with constant improvements after due screening and classification, whereby material risks are managed with heightened efforts.
Risk assessment	systematic analysis of risks in operating activities relating to internal control goals are conducted and major risk events affecting the accomplishment of goals are assessed and prioritised. Risk assessment work at the Company level is conducted by the units under the organisation of the Risk Management Department. The economic and non-economic losses of the Company that might result from such risks as a whole are considered and reports on risk assessment outcomes are prepared accordingly.
Risk response	based on the nature of risk events and the Company's ability to endure such risk events, risk response plans and measures and action plans for risk mitigation are formulated and implemented, while analysis of plan execution is conducted on a regular basis. Specific action plans for risk mitigation are formulated by each specialised lines according to the risk assessment outcomes, which will be submitted to the Risk Management Department for consolidation, aggregation and finetuning after approval by the Company's management.
Dynamic supervision of risk management	new material risk events and changes in the operating environment in the course of business development are identified on an ongoing basis and response strategies and measure are formulated based on actual conditions, while the progress of risk events is monitored in a continuous and dynamic manner and reported to the Risk Management Department in a timely manner.
Improvement of risk management work	the Risk Management Department submits the Company's risk control report to the Audit Committee and the Board annually for their review and ongoing supervision. The Company's risk control report is a regular report on risks inherent in operations and development, risk assessment outcomes and risk control status of the Company.

Through the establishment of the management organisational structure and processes, the Group has defined responsibilities in risk management work, the identification of risk information and response measures and set out its risk management procedures to facilitate systematic risk profiling and control.

Internal control

The Board requires the management to maintain sound and effective internal controls. Assessment of the Group's risk management and internal controls and internal audit are independently conducted by the Risk Management Department, which is responsible for coordinating the Company's internal control work. At the end of each year, the Risk Management Department proposes the internal audit plan for the following year, the scope of which covers internal control audit, turnover audit, in-service audit and specific audit, subject to subsequent adjustments in the number of internal audit items and sequence of implementation depending on actual management needs, and such audit plan will be submitted to the general manager of the Risk Management Department and the general manager of the Company for approval. The Risk Management Department reports to the Audit Committee twice each year on, among others, any significant findings and the effectiveness of internal audit, risk management and internal control systems. The Company has formulated the "Comprehensive Risk Management System" and "Internal Audit Management System" to enhance the effectiveness of internal audit and bring into full play the positive effect of internal audit on internal control and risk management and on the accomplishment of the Company's strategic goals.

Sustainable development

To ensure the smooth development of sustainability work, the Board acts at the supreme decision-making body for sustainability management to oversee all affairs relating to sustainability, formulate policies and strategies for sustainability and regulate the corporate ESG management structure. The Company has established the sustainability work group (the "Sustainability Work Group") which is responsible for collecting relevant information, supervising the execution of sustainability policies and strategies formulated by the Board, and reporting relevant work to the decision-making body on a regular basis. Formed by the corresponding officers of various departments, the Sustainability Work Group elucidates the duties of various specialised positions in the strategy and established relevant mechanisms to safeguard smooth operation according to the Company's current sustainability principles. The Board appreciates the importance of sustainability for the Company and the society and firmly believes that sustainability is conducive to the Company's business growth.

Therefore, the Board will continue to maintain a high level of sustainability, ensuring sound corporate governance, safeguarding employees' interests, protecting the environment and maintaining active communication and sound relations with stakeholders.

Whistle-blowing channel

The Group adheres to promote an openness, transparency, sharing and responsible corporate culture and therefore has adopted a "Administrative Measures on Whistleblowing and Appeal" in order to strengthen company management, deal with various violations of laws and regulations, prevent corruption and fraud problems, resist commercial bribery through encourage whistleblowers to report the infractions of Directors, management and employees of the Company.

Reporting of infractions and clues and evidence of violations of laws and disciplines can be submitted in the form of emails, letters and telephone calls for the attention to the Risk Management Department. All whistleblowing cases (if any) will be handled by the Risk Management Department, the investigation results will be discussed and sanction will be imposed.

PURCHASE, SALE 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 six months ended 30 June 2021.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2021 has been reviewed by the auditors of the Company, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on page 45.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding Directors' securities transactions (the "Code of Conduct") on terms no less exacting than those required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all the Directors and each of them has confirmed that he or she had complied with all the required standards set out in the Model Code and the Code of Conduct throughout the six months ended 30 June 2021.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors required to be disclosed are set out below:

Mr. ZHU Lin, an INED, has resigned as a director of Beijing Chexun Internet Co., Ltd., a company listed on the National Equities Exchange and Quotation (NEEQ) with effect from 19 April 2021 and an independent director of Sinostar Cable Co., Ltd., a company listed on the Shenzhen Stock Exchange ChiNext with effect from 7 May 2021.

Ms. ZHU Geying, an executive Director, has been re-designated from the chief financial officer of the Company to the chief operating officer of the Company with effect from 16 August 2021.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the six months ended 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

On 14 June 2021, the Company (on behalf of each member of the Group) entered into an agreement (the "Master Commercial Operational Services Agreement") with Sino-Ocean Group Holding Limited ("Sino-Ocean Group") (on behalf of each of Sino-Ocean Group and its associates, excluding, for the avoidance of doubt, the Group, the "Sino-Ocean Connected Persons"), pursuant to which the Company (on behalf of each member of the Group) has agreed to provide commercial operational services to the Sino-Ocean Connected Persons for their commercial properties (including shopping malls and office buildings). The Master Commercial Operational Services Agreement shall have a term commencing from the date of approval of the independent shareholders of the Company at the extraordinary general meeting to 31 December 2023. The commercial operational services to be provided by the Group to the Sino-Ocean Connected Persons include (i) pre-opening management services (such as positioning and design management services, and tenant sourcing and management services); and (ii) operation management services (such as opening preparation services, business plan management services, tenant coaching services, consumer management services and marketing services).

The Company is owned as to approximately 67.57% by Sino-Ocean Group as at the latest practicable date of the circular of the Company dated 21 July 2021 through its wholly-owned subsidiary Shine Wind Development Limited. Therefore, Sino-Ocean Group is a controlling shareholder and thus a connected person of the Company. Accordingly, the entering into of the Master Commercial Operational Services Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

A ordinary resolution in relation to the approval of the Master Commercial Operational Services Agreement for achieving the highest standards of corporate governance and compliance with the Listing Rules and to enhance the shareholders' participation in the Group's affairs was duly passed by the independent shareholders by way of poll at the extraordinary general meeting of the Company held on 6 August 2021.

Details of the continuing connected transaction under the Master Commercial Operational Services Agreement have been disclosed in the announcement of the Company dated 14 June 2021, the circular of the Company dated 21 July 2021 and the poll results announcement of the Company dated 6 August 2021.

Save as disclosed above and in note 23 to the condensed consolidated financial information of this interim report, as at the date of this report, there is no material subsequent event after the reporting period.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

pwc 羅兵咸永道

To the Board of Directors of Sino-Ocean Service Holding Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 46 to 68, which comprises the condensed consolidated statement of financial position of Sino-Ocean Service Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 August 2021

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Audited)
Revenue	7	1,384,601	903,694
Cost of sales	7,8	(943,351)	(646,578)
Gross profit		441,250	257,116
Selling and marketing expenses	8	(6,222)	(2,052)
Administrative expenses	8	(97,508)	(74,212)
Net impairment losses on financial assets		(20,970)	(14,139)
Other income	9	14,038	107,106
Other (losses)/gains, net		(8,028)	1,761
Fair value gains on investment properties		—	557
Operating profit		322,560	276,137
Finance costs	10	(514)	(79,671)
Share of results in joint ventures	16	19,181	1,268
Profit before income tax		341,227	197,734
Income tax expense	11	(77,706)	(43,620)
Profit for the period		263,521	154,114
Other comprehensive income		—	—
Profit and total comprehensive income for the period		263,521	154,114
Profit and total comprehensive income attributable to:			
Owners of the Company		261,311	150,766
Non-controlling interests		2,210	3,348
		263,521	154,114
Earnings per share for profit attributable to the owners of the Company			
Basic and diluted (expressed in RMB per share)	12	0.22	0.17

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2021	As at 31 December 2020
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Investment properties	13	—	85,496
Property, plant and equipment		18,732	20,221
Intangible assets	14	103,369	107,033
Right-of-use assets	15	25,471	15,217
Investments in joint ventures	16	138,471	119,290
Deferred income tax assets		21,188	16,659
Total non-current assets		307,231	363,916
Current assets			
Inventories	17	176,732	122,886
Trade and note receivables	18	506,840	315,470
Prepayments and other receivables	19	154,400	114,743
Restricted bank deposits		156	338
Cash and cash equivalents		2,366,045	2,175,019
Total current assets		3,204,173	2,728,456
Total assets		3,511,404	3,092,372
Equity			
Equity attributable to owners of the Company			
Share capital		99,829	99,829
Reserves		1,703,440	1,703,440
Retained earnings		421,305	225,114
		2,224,574	2,028,383
Non-controlling interests		25,281	22,922
Total equity		2,249,855	2,051,305

	Note	As at 30 June 2021	As at 31 December 2020
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Liabilities			
Non-current liabilities			
Trade and other payables	21	8,541	8,526
Lease liabilities	15	13,212	4,393
Deferred income tax liabilities		13,109	12,543
Total non-current liabilities		34,862	25,462
Current liabilities			
Trade and other payables	21	776,185	651,304
Contract liabilities		386,165	327,943
Lease liabilities	15	8,701	8,338
Current tax liabilities		55,636	28,020
Total current liabilities		1,226,687	1,015,605
Total liabilities		1,261,549	1,041,067
Total equity and liabilities		3,511,404	3,092,372

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share capital	Statutory Reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		99,829	13,108	1,690,332	225,114	2,028,383	22,922	2,051,305
Comprehensive income								
Profit for the period		—	—	—	261,311	261,311	2,210	263,521
Transactions with owners in their capacity as owners								
Dividends	20	—	—	—	(65,120)	(65,120)	—	(65,120)
Distribution relating to non-controlling interest		—	—	—	—	—	(1,321)	(1,321)
Non-controlling interests arising from newly established subsidiaries		—	—	—	—	—	1,470	1,470
Balance at 30 June 2021 (unaudited)		99,829	13,108	1,690,332	421,305	2,224,574	25,281	2,249,855
Balance at 1 January 2020		—	13,108	150,378	254,452	417,938	22,328	440,266
Comprehensive income								
Profit for the period		—	—	—	150,766	150,766	3,348	154,114
Transactions with owners in their capacity as owners								
Capital injection		9	—	189,991	—	190,000	—	190,000
Deemed distribution		—	—	(185,000)	—	(185,000)	—	(185,000)
Contribution from the ultimate holding company		—	—	73,005	—	73,005	—	73,005
Dividends	20	—	—	—	(286,972)	(286,972)	—	(286,972)
Distribution relating to non-controlling interest		—	—	—	—	—	(5,145)	(5,145)
Transaction with non-controlling interests		—	—	(816)	—	(816)	816	—
Balance at 30 June 2020 (audited)		9	13,108	227,558	118,246	358,921	21,347	380,268

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Cash flows from operating activities			
Cash generated from operations		341,628	116,051
Income tax paid		(54,053)	(50,322)
Net cash generated from operating activities		287,575	65,729
Cash flows from investing activities			
Purchases of financial assets at fair value through profit or loss		(827,500)	(484,000)
Purchases of property, plant and equipment		(3,025)	(1,598)
Purchase of intangible assets	14	(541)	(131)
Redemption of financial assets at fair value through profit or loss		828,966	480,195
Proceeds from sale of property, plant and equipment		288	74
Repayment of entrusted loan from an entity controlled by the ultimate holding company		—	306,000
Net cash (used in)/generated from investing activities		(1,812)	300,540
Cash flows from financing activities			
Dividends		(65,120)	(124,587)
Listing expenses paid		(15,805)	—
Payments of lease liabilities		(5,807)	(2,881)
Capital contributions from non-controlling interests		1,470	—
Repayments of borrowings		—	(157,954)
Interest paid		—	(82,214)
Capital injection		—	190,000
Amount advanced from an affiliate		—	113,340
Net cash used in financing activities		(85,262)	(64,296)
Net increase in cash and cash equivalents		200,501	301,973
Cash and cash equivalents at beginning of the period		2,175,019	423,413
Exchange (losses)/gains on cash and cash equivalents		(9,475)	105
Cash and cash equivalents at end of the period		2,366,045	725,491

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 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 as an exempted company 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.

This interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 16 August 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 condensed consolidated interim financial information has been authorised for issue, the Group was not aware of any material adverse effects on the condensed consolidated interim financial information as a result of the COVID-19 outbreak.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HICPA").

This interim financial information does not include all the notes of the type normally included in the annual financial report. Accordingly, this interim financial information should be read in conjunction with the annual financial report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

(a) Covid-19-related Rent Concessions — Amendments to HKFRS 16

(b) Interest Rate Benchmark Reform — Phase 2 — Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16.

These standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Impact of standards issued but not yet applied by the Group

Standards and amendments that have been issued but not yet effective on 1 January 2021 and not been early adopted by the Group are as follows:

	Effective for annual periods beginning on or after
HKFRS 17 — Insurance contract	1 January 2023
Amendments to HKAS 1 — Classification of Liabilities as Current or Non—current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 3 — Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 — Property, plant and equipment—proceeds before intended use	1 January 2022
Amendments to HKAS 37 — Onerous contracts — Cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRS Standards 2018—2020	1 January 2022
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 Group 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.

4 ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT

5.1 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.

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no significant changes in the risk management policies since year end.

5.2 Liquidity risk

Since the last annual financial report, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and note receivables
- Other receivables, excluding prepayment
- Restricted bank deposits
- Cash and cash equivalents
- Trade and other payables, excluding payroll and welfare payables and other tax payables
- Lease liabilities

5.4 Fair value estimation

Since the last annual financial report, there was no material change on the judgements and estimates made by the Group in determining the fair values of the financial instruments.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker ("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 six months ended 30 June 2021, 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 six months ended 30 June 2021 and 2020.

As at 30 June 2021 and 31 December 2020, all of the non-current assets were located in the PRC.

7 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 six months ended 30 June 2021 and 2020 is as follows:

		Six months ended 30 June			
		2021		2020	
		Revenue	Cost of sales	Revenue	Cost of sales
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)		(Audited)	
	Revenue from customer and recognised				
Property management services	Over time	**744,547**	**544,539**	647,666	490,098
Community value-added services	Over time and point in time	**371,754**	**185,256**	101,719	37,572
Value-added services to non-property owners	Over time	**268,300**	**213,556**	154,309	118,908
		1,384,601	**943,351**	903,694	646,578

For the six months ended 30 June 2021, 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 26% (for the six months ended 30 June 2020: 22%) of the Group' s revenue. Other than Sino-Ocean Group, it's joint ventures and associates and the shareholder of ultimate holding company of the Group, the Group has a large number of customers, none of whom contributed approximately 10% or more of the Group's revenue during the six months ended 30 June 2021 and 2020.

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Employee benefit expenses	343,106	255,971
Outsourced security, greening and cleaning expenses	314,569	277,630
Maintenance expenses	104,244	54,566
Utilities	61,187	40,681
Cost of consumables and raw materials	43,507	20,967
Sub-contract expenses for home improvement and property agency services	37,039	—
Office-related expenses	36,280	24,458
Cost of selling carpark spaces	33,041	1,058
Cost of goods sold	31,635	—
Depreciation and amortization charges	12,781	13,753
Taxes and surcharges	8,006	5,234
Community activities expenses	6,222	2,052
Listing expenses	—	16,333
Others	15,464	10,139
	1,047,081	722,842

9 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Government grants (a)	6,584	7,974
Interest income from bank deposits	7,073	333
Interest income from loans due from related parties	—	98,472
Others	381	327
	14,038	107,106

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

10 FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest expense for lease liabilities	514	360
Interest expense of asset-backed securities	—	79,311
	514	79,671

11 INCOME TAX EXPENSE

Majority of the Group entities are subjected to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the six months ended 30 June 2021 and 2020. Certain subsidiaries of the Group in the PRC are qualified as small, micro businesses or High-New Technology Enterprise and enjoy preferential income tax rate of 5%, 10% or 15%. Other companies are mainly subjected to Hong Kong profits tax.

The amount of income tax expense charged to the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax		
PRC corporate income tax	81,223	50,559
PRC land appreciation tax	446	122
Deferred income tax		
PRC corporate income tax	(3,963)	(7,061)
	77,706	43,620

The effective income tax rate was 23% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 22%).

12 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 1,184,000,000 (For the six months ended 30 June 2020: 888,000,000) in issue during the six-month periods. The weighted average number of ordinary shares used in the six months ended 30 June 2020 has been retrospectively adjusted for the effects of the capitalization issue of 887,889,000 shares pursuant to the shareholders' resolution of the Company passed on 25 November 2020, which were deemed to have been in issue since 1 January 2020.

For the six months ended 30 June 2021 and 2020, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
Profit attributable to owners of the Company (RMB'000)	261,311	150,766
Weighted average number of ordinary shares in issue (in thousands)	1,184,000	888,000
Basic and diluted earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB per share)	0.22	0.17

13 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At fair value		
At beginning of the period	85,496	84,894
Fair value gains recognized in profit or loss	—	557
Transfer to inventories	(85,496)	—
At end of period	—	85,451

14 INTANGIBLE ASSETS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost		
At beginning of period	128,566	125,898
Additions	541	131
At end of period	129,107	126,029
Accumulated amortization		
At beginning of period	(21,533)	(13,460)
Amortization charge for the period	(4,205)	(3,866)
At end of period	(25,738)	(17,326)
Net book amount		
At end of period	103,369	108,703

(a) Impairment tests for goodwill arising from business combinations in prior years

As of 30 June 2021, the management performed an impairment assessment on the goodwill. The recoverable amounts of the property management business operated by Changsha Xiangcheng Property Management Co., Ltd. ("Changsha Xiangcheng") and Shandong Liantai Property Service Co., Ltd. ("Shandong Liantai") have been assessed by an independent valuer and determined based on value-in-use (the "VIU") calculations. The calculation used cash flow projections based on financial budgets approved by the management.

By reference to the recoverable amount assessed by the independent valuer as of 30 June 2021, the directors of the Company determined that no impairment provision on goodwill was required as of 30 June 2021 (30 June 2020: nil).

15 LEASES

The condensed consolidated statements of financial position show the following amounts relating to leases:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Right-of-use assets		
Buildings	21,899	13,910
Parking lots	3,239	862
Vehicles	206	250
Equipments	127	195
	25,471	15,217
Lease liabilities		
Current	8,701	8,338
Non-current	13,212	4,393
	21,913	12,731

16 INVESTMENTS IN JOINT VENTURES

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	119,290	22,100
Acquisition	—	81,085
Share of results from investment in joint ventures	19,181	1,268
At end of period	138,471	104,453

17 INVENTORIES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carpark spaces	158,911	119,294
Properties held for sale	12,196	—
Consumables and goods	5,625	3,592
	176,732	122,886

18 TRADE AND NOTE RECEIVABLES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables		
— Related parties (Note 22(b))	173,292	97,850
— Third parties	383,085	298,562
	556,377	396,412
Note receivables		
— Related parties (Note 22(b))	78	—
— Third parties	1,000	—
	1,078	—
Less: allowance for impairment of trade and note receivables	(50,615)	(80,942)
Total	506,840	315,470

Due to the short-term nature of trade and note receivables, their carrying amounts is considered to be same as their fair value.

18 TRADE AND NOTE RECEIVABLES (CONTINUED)

The aging analysis of the trade and note receivables based on the invoice date were as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	454,905	254,341
1–2 years	58,345	57,482
2–3 years	32,911	36,417
Over 3 years	11,294	48,172
Total	557,455	396,412

19 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayments to suppliers		
— Related parties (Note 22(b))	1,117	2,591
— Third parties	18,837	10,445
	19,954	13,036
Other receivables		
— Related parties (Note 22(b))	35,825	16,380
— Payments on behalf of property owners	40,789	52,106
— Deposit	44,575	11,807
— Others	15,784	14,372
	136,973	94,665
Less: allowance for impairment of other receivables	(2,814)	(52)
	134,159	94,613
Prepaid tax	287	7,094
Total	154,400	114,743

20 DIVIDENDS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Dividends paid (a)	65,120	286,972

(a) During the six months ended 30 June 2021, the Company declared and paid dividends with aggregated amounts of RMB65,120,000 to the Company's shareholders (for the six months ended 30 June 2020: RMB286,972,000 paid to the Group's shareholders).

(b) The Company did not propose interim dividend for the six months ended 30 June 2021.

21 TRADE AND OTHER PAYABLES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables (a)		
— Related parties (Note 22(b))	24,143	22,347
— Third parties	381,673	256,930
	405,816	279,277
Other payables		
— Related parties (Note 22(b))	36,913	25,279
— Deposit	122,796	112,148
— Amounts collected on behalf of property owner	75,428	90,235
— Others	30,201	50,857
	265,338	278,519
Dividends payables		
— Non-controlling shareholders	5,466	4,145
Accrued payroll and welfare payables	87,198	92,125
Other taxes payables	20,908	5,764
	108,106	97,889
Less: non-current portion	(8,541)	(8,526)
Total	776,185	651,304

21 TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 June 2021 and 31 December 2020, the carrying amounts of trade and other payables approximated their fair values.

(a) As at 30 June 2021 and 31 December 2020, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date are follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	377,342	269,703
1–2 years	22,698	6,652
2–3 years	5,121	2,271
Over 3 years	655	651
Total	405,816	279,277

22 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere, the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2021 and 2020:

(a) Transactions with related parties

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Provision of services		
— A joint venture	13,440	19
— Entities controlled by the ultimate holding company	206,900	98,622
— Entities over which the ultimate holding company has significant influence and joint control	126,288	82,992
— A shareholder of the ultimate holding company of the Group	18,894	14,740
	365,522	196,373

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Purchase of goods and services		
— A joint venture	59,695	46,861
— Entities controlled by the ultimate holding company	522	817
	60,217	47,678
Loans to an entity controlled by the ultimate holding company		
At 1 January	—	2,856,000
Repayments during period	—	(306,000)
At 30 June	—	2,550,000
Loans from an entity controlled by the ultimate holding company		
At 1 January	—	20,000
Repayments during period	—	(20,000)
At 30 June	—	—
Rental expenses		
— Entities controlled by the ultimate holding company	480	916
— Entities over which the ultimate holding company has significant influence and joint control	2,580	920
	3,060	1,836
Recognition of right-of-use assets on leased assets		
— Entities controlled by the ultimate holding company	11,555	367
Interest expenses		
— Entities controlled by the ultimate holding company	156	41
— Entities over which the ultimate holding company has significant influence and joint control	26	29
	182	70
Finance income		
— Entities controlled by the ultimate holding company	—	98,472

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

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade and note receivables		
— Entities controlled by the ultimate holding company	110,734	61,740
— Entities over which the ultimate holding company has significant influence and joint control	54,900	29,558
— A shareholder of the ultimate holding company of the Group	7,736	6,552
	173,370	97,850
Other receivables		
— A joint venture	405	25
— Entities controlled by the ultimate holding company	26,224	12,631
— Entities over which the ultimate holding company has significant influence and joint control	9,196	3,724
	35,825	16,380
Prepayments		
— A joint venture	955	—
— Entities controlled by the ultimate holding company	162	2,591
	1,117	2,591
Trade payables		
— A joint venture	16,458	16,592
— Entities controlled by the ultimate holding company	7,685	4,401
— A shareholder of the ultimate holding company of the Group	—	1,354
	24,143	22,347
Other payables		
— A joint venture	22	—
— Entities controlled by the ultimate holding company	31,898	20,303
— Entities over which the ultimate holding company has significant influence and joint control	4,993	4,976
	36,913	25,279

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract liabilities		
— A joint venture	32	—
— Entities controlled by the ultimate holding company	3,223	5,920
— Entities over which the ultimate holding company has significant influence and joint control	1,527	—
	4,782	5,920
Lease liabilities		
— Entities controlled by the ultimate holding company	12,358	1,046
— Entities over which the ultimate holding company has significant influence and joint control	871	968
	13,229	2,014

(c) Key management compensation

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Salaries, bonuses and other benefits	6,764	3,143

23 SUBSEQUENT EVENT

Pursuant to a share purchase agreement signed by the Group and a third party, the Group will purchase 80% shares of a target company with the total consideration of RMB54,100,000. The target company is primarily engaged in the provision of property management services in Wenzhou.

As at the approval date of this condensed consolidated financial information, the abovementioned transaction has been completed.

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