遠洋服務
SINO-OCEAN SERVICE

2021
ANNUAL REPORT

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

BEING UNDERSTANDING AND INNOVATIVE

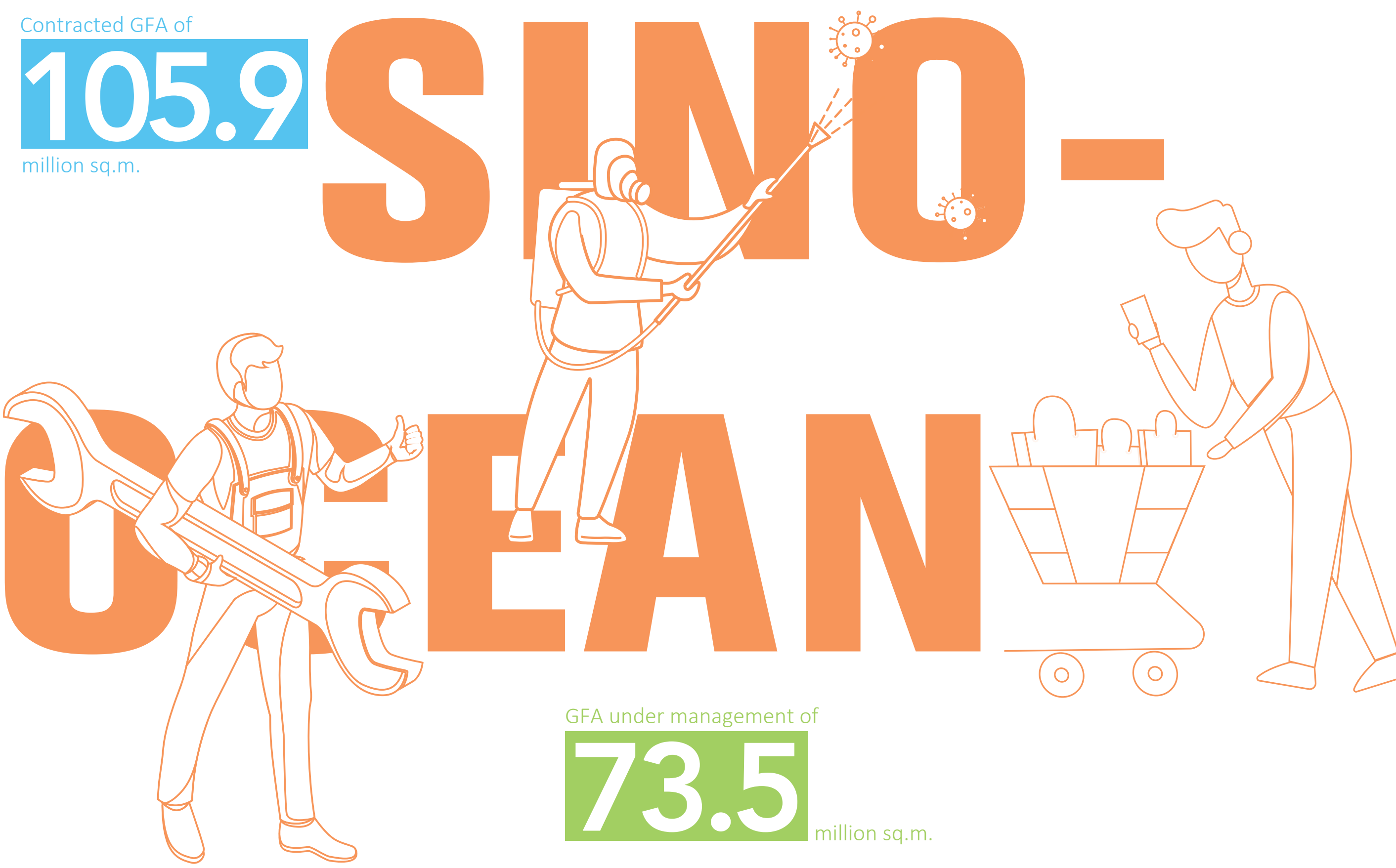
CONTENT

BEING
UNDERSTANDING
AND
INNOVATIVE

CORPORATE OVERVIEW

Sino-Ocean Service Holding Limited (the “Company”, together with its subsidiaries, the “Group”) is a comprehensive property management service provider with extensive geographic coverage in the People’s Republic of China (the “PRC”). The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 17 December 2020. According to China Index Academy, we received awards such as the “2021 TOP 100 Property Management Companies in China” (Ranked 12th), “2021 China Leading Property Management Companies in terms of High-end commercial office building”, “2021 China Specialized Operational Leading Brand of Property Service Companies” and “2021 Excellent Platform Brand of Property Service Companies” to name a few.

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 (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 248 subsidiaries and branch offices across 24 provinces, autonomous regions and municipalities in China as at 31 December 2021.



As of 31 December 2021, our total contracted GFA of property management services reached 105.9 million sq.m., covering 78 cities across 24 provinces, autonomous regions and municipalities in China, total GFA under management reached 73.5 million sq.m. and 360 properties were under our management, including 239 residential communities, 41 commercial properties and 80 other properties. Our property management services cover a wide range of property types, including residential communities, commercial properties (such as shopping malls and office buildings) and public and other properties (such as hospitals, schools, government buildings and public service facilities). We also provide commercial operational services to shopping malls and office buildings, including pre-opening management services and operation management services. In addition to property management services and commercial operational services, we also 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 of property management projects are located as at 31 December 2021:

Beijing-Tianjin-Hebei
Beijing, Tianjin, Shijiazhuang, Qinhuangdao, Langfang

Bohai Rim
Dalian, Changchun, Qingdao, Jinan, Yantai, Taiyuan, Shenyang

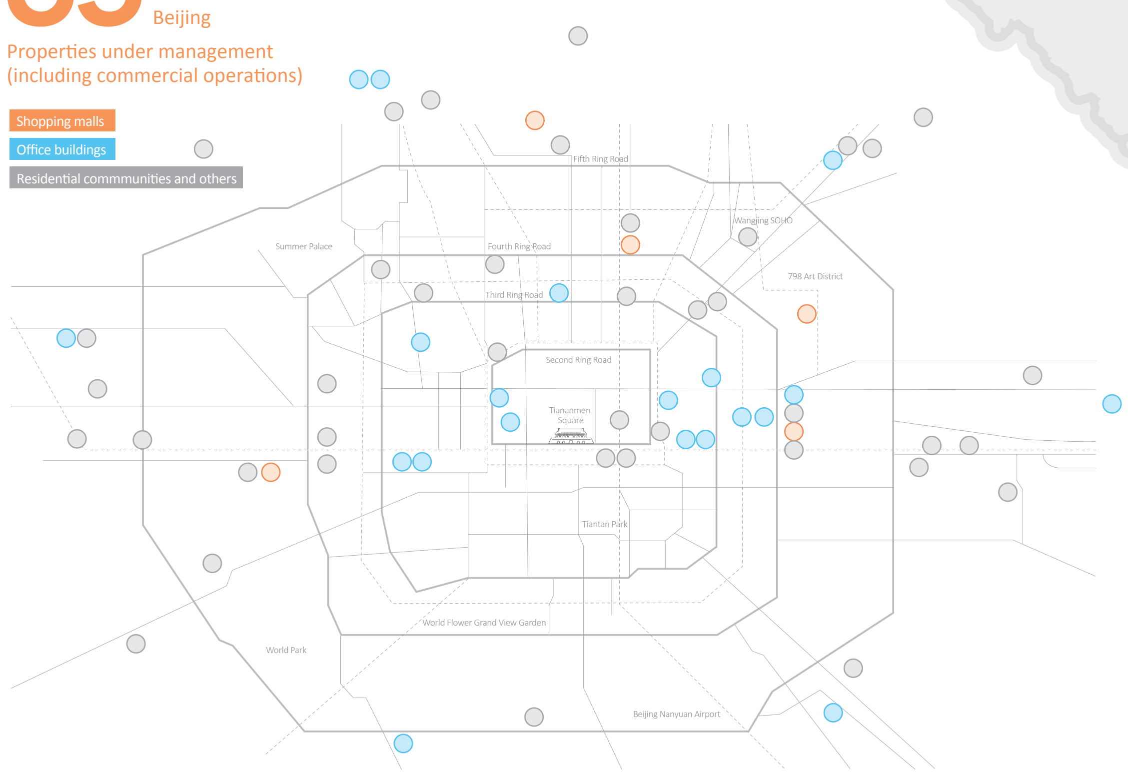
Eastern China
Shanghai, Hangzhou, Nanjing, Suzhou, Ningbo, Wuxi, Wenzhou, Huzhou, Yangzhou, Wuhu

Southern China
Shenzhen, Guangzhou, Xiamen, Nanning, Dongguan, Zhongshan, Foshan, Fuzhou, Sanya, Haikou, Huizhou

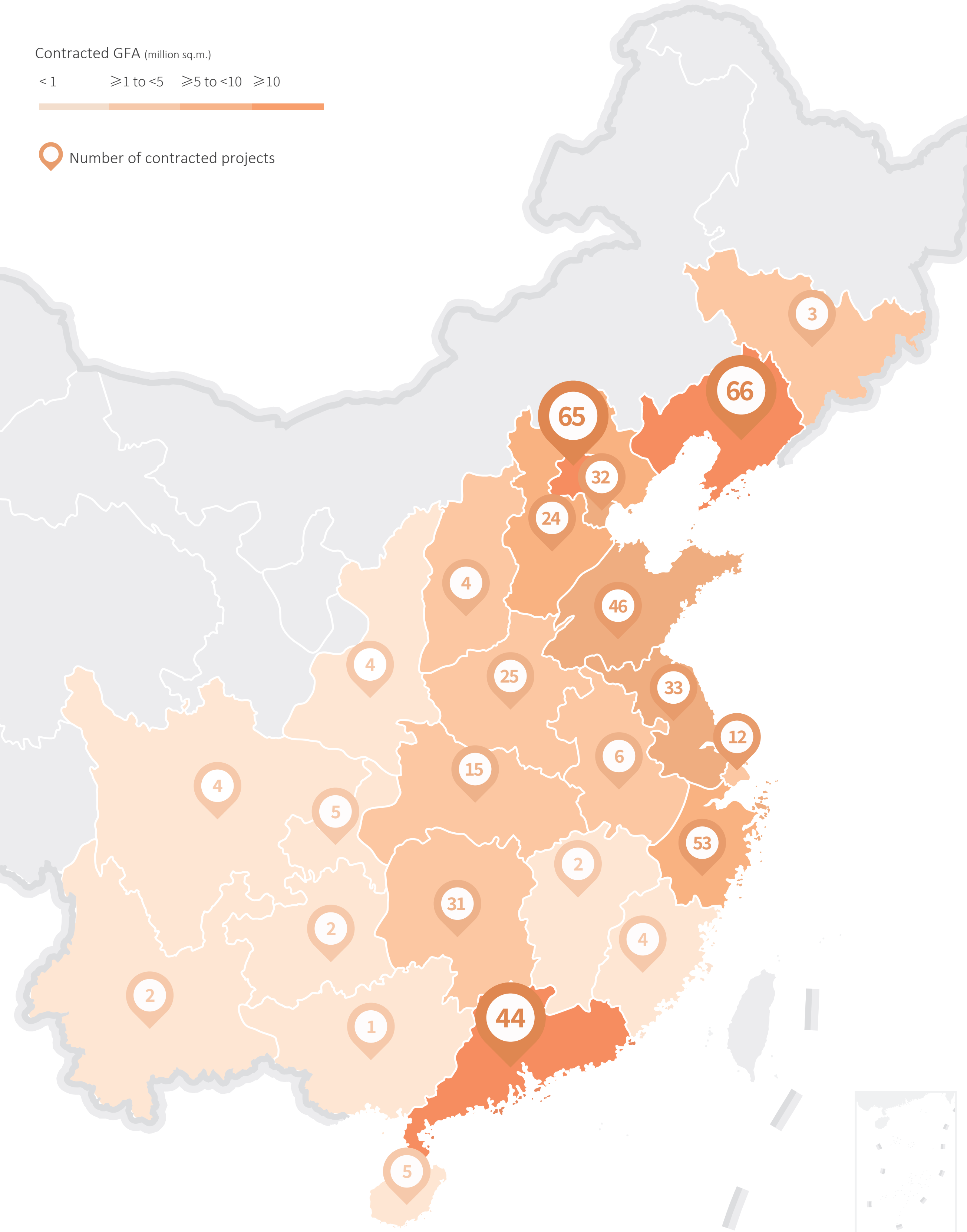
Central and Western China
Wuhan, Chengdu, Chongqing, Changsha, Hefei, Xi'an, Zhengzhou, Nanchang, Kunming, Guiyang

65+ Beijing

Properties under management (including commercial operations)



The map below illustrates geographic coverage of the contracted GFA and the number of contracted projects as at 31 December 2021:



CORPORATE INFORMATION

The corporate information of Sino-Ocean Service Holding Limited below are as of 31 March 2022, being the latest practicable date prior to the issue of this annual report:

Directors

Executive Directors

Mr. YANG Deyong (Joint Chairman and Chief Executive Officer)
Ms. ZHU Geying (Chief Operating Officer[1])

Non-executive Directors

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

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

Note:
1) Re-designated from the Chief Financial Officer on 16 August 2021

Principal Bankers

(in alphabetical order)
Agricultural Bank of China, Ltd.
Bank of China (Hong Kong) Limited
Bank of China Limited
China CITIC Bank International 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 years ended 31 December		
(RMB million)	2021	2020	Changes
Revenue	2,966	2,023	47%
Gross profit	825	511	61%
Gross profit margin (%)	28%	25%	3 pts
Profit for the year	441	263	68%
Net profit margin (%)	15%	13%	2 pts
Profit attributable to owners of the Company	439	258	70%
Core profit	448	250	79%
Core profit margin (%)	15%	12%	3 pts
Basic and diluted earnings per share (RMB)	0.37	0.29	28%
Proposed dividend per share (RMB)	0.093	0.055	69%

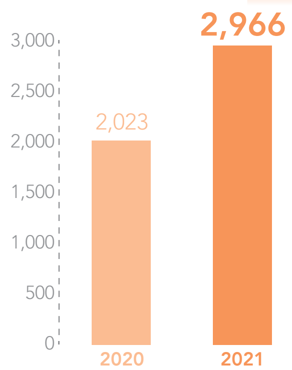
CONSOLIDATED FINANCIAL POSITION

	As at 31 December		
(RMB million)	2021	2020	Changes
Total assets	3,828	3,092	24%
Total equity	2,434	2,051	19%
Equity attributable to owners of the Company	2,402	2,028	18%
Cash resources[1]	2,527	2,175	16%
Current ratio (times)	2.6	2.7	-4%

Note:
1) Including the restricted bank deposits

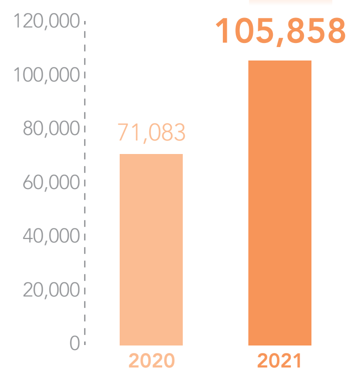
Revenue
(RMB million)

up from 2020 47%



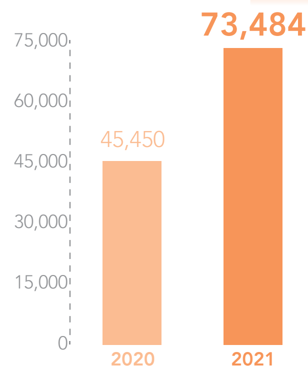
Contracted GFA
('000 sq.m.)

up from 2020 49%



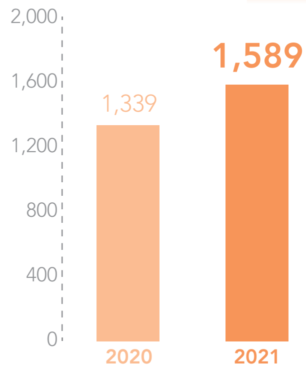
GFA under management
('000 sq.m.)

up from 2020 62%



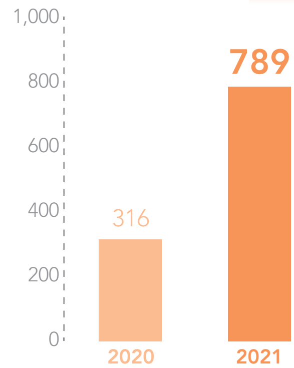
Revenue from property management and commercial operational services
(RMB million)

up from 2020 19%



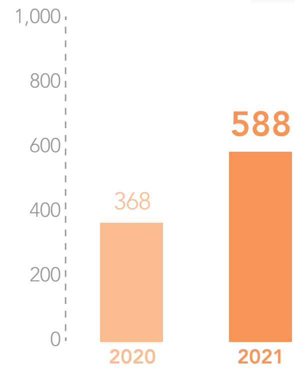
Revenue from community value-added services
(RMB million)

up from 2020 149%



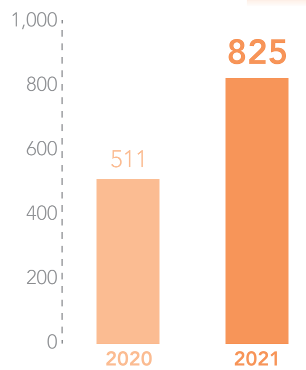
Revenue from value-added services to non-property owners
(RMB million)

up from 2020 60%



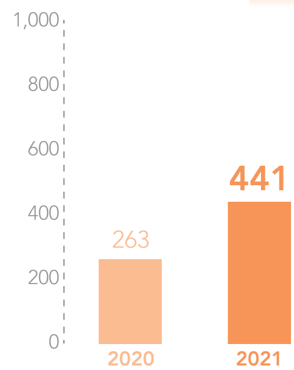
Gross profit
(RMB million)

up from 2020 61%



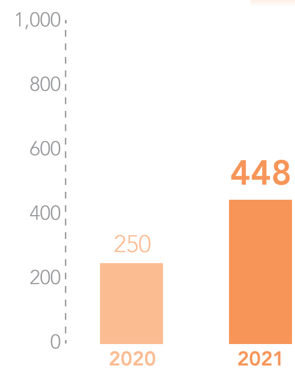
Profit for the year
(RMB million)

up from 2020 68%



Core profit
(RMB million)

up from 2020 79%



MAJOR EVENTS

March

Published the 2020 annual results with its core profit increased by 44% year-on-year.

April

Implemented strategic cooperation with Sino-Ocean Capital Limited to further expand the logistic and warehouse and also the internet data centers property management chain.

May

Opened 20 property leasing and sales centres in Beijing, Tianjin, Dalian, Shenyang, Qingdao, Wuhan and other cities simultaneously.

June

Entered into the Master Commercial Operational Services Agreement with Sino-Ocean Group, pursuant to which our Group will provide commercial operational services to Sino-Ocean Group and its associates for their commercial properties (including shopping malls and office buildings).

July

Acquired 80% equity interests in Ourui Property Management Group Limited* (甌睿物業集團有限公司) to further enhance service capabilities and deepen service boundaries of the hospital business.

August

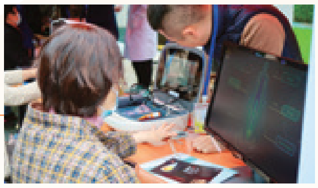
Jointly invested and established Beijing Yingwei Technology Service Co., Ltd.* (北京應維科技服務有限公司) together with Beijing Intelligent Building Technology Co., Ltd.* (北京智能建築科技有限公司), a smart building service provider for the Beijing Winter Olympics, to build a smart technology and property platform.

Published the 2021 interim results with its core profit increased by 110% year-on-year.

October

Actively explored the introduction of "property + retirement" model at Ocean Paradise (Beijing) as the only selected pilot project of the Ministry of Housing and Urban-Rural Development in Beijing.

Signed a strategic cooperation agreement with the People's Government of Bazhou to jointly explore an advanced, smart, low-carbon and reproducible new model for modern smart city management.



December

Signed agreements to acquire 51% equity interests in Henan Future Harmony Property Service Co., Ltd.* (河南未來和諧物業服務股份有限公司) and 100% equity interests in Dalian Zhengyuan Property Service Co., Ltd.* (大連正源物業服務有限公司), and recorded a contracted GFA of over 100 million sq.m. for the year.

Entered into the Exclusive Parking Space Sales Agency Services Framework Agreement with Sino-Ocean Group to further expand the scale of value-added services.

* For identification purposes only.

AWARDS AND HONORS

China Index Academy

2021 TOP 100 Property Management Companies in China (Ranked 12th)
2021 China Leading Property Management Companies in terms of High-end commercial office building
2021 China Specialized Operational Leading Brand of Property Service Companies
2021 Excellent Platform Brand of Property Service Companies

Guandian Index Academy

2021 Influential Property Management Companies (TOP30)

E-house China R&D Institute

2021 TOP20 Listed Company of China Property Management Service

Yihan Jiahe Family

2021 TOP30 Property Management Companies in China in terms of Comprehensive Strengths
2021 TOP10 Property Management Companies (Commercial Property Management Services) in China
2021 TOP10 Property Management Companies in China in terms of Revenue Generating Capacity per sq.m.
2021 Model Property Management Companies (Community Value-added Service Operation) in China

CHAIRMAN'S STATEMENT

On behalf of our Board of Directors (the "Board"), I have the pleasure to present the annual results of Sino-Ocean Service Holding Limited ("Sino-Ocean Service" or the "Company") and its subsidiaries (together referred to as "our Group" or "we") for the twelve months ended 31 December 2021.

2021 review

China's 14th Five-Year Plan commenced in 2021. As a quasi-public service business closely related to people's livelihood and at a time when the country vigorously advocated for people's livelihood, property service was given constant attention. Property management was admitted to the basic governance system that is essential to satisfy people's need for quality life. In 2021, the government of the People's Republic of China (the "PRC") added new policies and all local authorities followed diligently. As the PRC government's directional policies were implemented in details, a consensus on supporting and promoting the expansion of property management from central to local areas was reached. The 14th Five-Year Plan passed in 2021 mentioned 'property service' numerous times, giving this industry unprecedented importance in the country's development strategy and pushing it into a 'golden era' of rapid growth. State policies on property management were two-pronged: one was to encourage and support the industry's expansion, the other was its regulation. While the policies have always been supportive and unwavering, more solid and effective regulatory measures will be conducive to the industry's healthy and quality growth. Non-compliant enterprises will be weeded out while superior enterprises will enjoy better resources and stand out. They will be an integral part of basic governance in society, offering high quality and diversified services to satisfy people's increasing need for quality life.

In 2021, frequent mergers and acquisitions in the property management industry took place and market expansion by enterprises gathered momentum. These enterprises built competitiveness through multi-discipline interaction, technology empowerment, optimal incentives and branding. Property management service became more market oriented, grew in scale and experienced an increase in the importance of branding. The industry's ability to iterate continuously, to streamline and provide comprehensive services in a professional and technology-enhanced manner was key in raising standards of diversified services. Value-added services based on real life scenarios became the second driver in rapid growth. By providing basic services, enterprises can discover and involve themselves in a wider range of economic and social activities in communities to satisfy residents' varied demands and at the same time achieve their own growth. Sustainable development is now main-stream. Enterprises are changing their approach, moving from purely pursuing speedy expansion to placing more emphasis on service quality, goodwill, outward expansion capability, application of technology and stronger operational efficiency.

In 2021, the Company completed a full year since listing on The Stock Exchange of Hong Kong Limited the ("Stock Exchange"). It was also the first year of the Group's 'five-phase' strategic development. We never forgot our original aspiration. Upholding the concept of 'serving customers with an artisan's spirit' and the vision of being an 'asset value and quality life maker', we worked assiduously and conscientiously to raise service quality, innovated operational management and probed growth potential. We were determined to be a branded superior integrated property management service provider in China. We forged ahead to break new grounds and achieved rapid growth in scale and performance during the year.

2021 results

For the year ended 31 December 2021, the Group's revenue was RMB2,965.6 million, up approximately 47% year-on-year ("YoY"). Gross profit was RMB824.8 million, up approximately 61% YoY. Net profit for the year was RMB441.3 million, up approximately 68% YoY. Gross profit margin and net profit margin were approximately 3 and 2 percentage points higher respectively, which reached approximately 28% and 15% respectively. Profit attributable to owners of the Company rose from RMB257.6 million in 2020 to RMB439.0 million, growing approximately 70% YoY. Basic earnings per share was RMB0.37, up approximately 28% YoY.

Consolidated capabilities for diversified business expansion, raised both quality and efficiency to promote growth in scale

As at 31 December 2021, the Group's contracted GFA was 105.9 million sq.m., 34.8 million sq.m. more than the end of 2020; GFA under management was 73.5 million sq.m., added 28.0 million sq.m. from the end of 2020; accumulated third-party contracted GFA reached 53.6 million sq.m., which increased from approximately 33% to 51% of the total contracted GFA, added third-party contracted GFA of 32.6 million sq.m., covering a wide variety of establishments including residential and commercial premises, offices, schools, hospitals, industrial parks, logistics parks, internet data centers, government buildings, urban spaces.

During the year, we focused on penetrating our established regions and optimized project standards in each city accordingly. We updated the tools required for exploring regional linking and raising decision-making efficiency. We improved our marketing and incentive mechanisms, directing all employees to be 'self-motivated' in business expansion awareness. We constantly enriched our management portfolio and pursued a balanced location planning. While maintaining a strong base in residential properties we sought opportunities in a multitude of spaces that promised more growth and value, breaking new grounds such as hospitals, schools and industrial parks. Through consolidating resources we promoted interaction with third-party clients and reached strategic cooperation with numerous reputable institutions, laying a foundation for future projects. Through excellent service standards, word-of-mouth recommendations and branding, market-oriented mechanisms, effective strategies and team building, we continued to hone our capabilities. We succeeded in achieving considerable expansion, optimization of regional planning and client diversity. Market-oriented expansion has become our major driver for growth.

We targeted national and regional property management companies for mergers and acquisitions. We sought enterprises that were highly compatible with ours and during the year contracted to acquire Ourui Property Management Group Limited* (甌睿物業集團有限公司), Dalian Zhengyuan Property Service Co., Ltd.* (大連正源物業服務有限公司) and Henan Future Harmony Property Service Co., Ltd.* (河南未來和諧物業服務股份有限公司), succeeding in further regional penetration and extending multi-discipline services in both width and depth. We also paid attention to post-investment conversion, enhancing operational capacity in acquired business through integrated management. At the same time we made the most of acquired companies' advantages and reputation to radiate to peripheral regions for growth in scale and efficiency.

Probed value-added service capabilities, made leapfrog development

We actively explored and built diverse community value-added services. Guided by customers' needs we carefully broke down our service offering to capture opportunities on multiple contact points. A detailed analysis of our resources enabled us to position our principal business, build core products and core teams, explore quality co-operation resources and encourage business breakthroughs. It cleared the channel, built a base for growth of the four business focuses (community living, leasing and sale, home decoration, resources from community space) and accomplished leapfrog development. During the year, revenue from community value-added service was RMB788.8 million, an increase of RMB472.7 million, up approximately 149% YoY. As regards community living services, we considered customers' various life scenarios including catering, accommodation, transportation, leisure, education, health and retirement, mobilized on-line and off-line channels and other resources to provide owners a wide range of services to facilitate comfort and consumption. We were both the bridge and selector for products that owners needed. To facilitate leasing and sale, we insisted on opening physical shops in communities, building a complete service chain for real estate asset management and offering diverse services to owners. For home decoration, we focused on customer experience and built standardized product series and operations from the user's perspective, and provided personalized products to match his needs. We used visualization and digitalization to enhance operational efficiency and benefits of resources from community space.

For value-added services to non-owners, our professional firm, Beijing Yiyang Times Building Technology Co., Ltd.* (北京億洋時代樓宇科技有限公司), has an abundance of experience and skills in property management, with presence in 42 cities including Beijing-Tianjin-Hebei, Bohai Rim, Yangtze River Delta, Pearl River Delta and the coastal economic zones. We were awarded numerous national patents and copyrights for our market-oriented and professional service capabilities. We also had in-depth involvement in the formulation of industry regulations. Operating an intelligent service business to high standards, during the year, we adhered to market-oriented expansion, widened our service perimeters, fine-tuned our cross-region multi-dimensional capabilities, and promoted project acquisition and strategic co-operation. We also planned smart city operation and maintenance, together with Beijing Intelligent Building Technology Co., Ltd.* (北京智能建築科技有限公司) set up a smart service platform Beijing Yingwei Technology Service Co., Ltd.* (北京應維科技服務有限公司) to enhance operation capacity of urban spaces, promoting the construction of smart cities and full development of comprehensive urban services.

* For identification purposes only.

Asset management and property management of commercial properties released whole-chain competitiveness

During the year, the successful introduction of commercial operational services stimulated growth energy in this sector. The team and business platform we built undertook the top-tier commercial and office assets from Sino-Ocean Group Holding Limited, our parent company, and its associates, and high-end assets in tier-one central business district. We were fully committed to creating a full-chain service model of 'asset management + property management'.

For shopping malls, we gained insight into consumers' demand trends and created three product lines: "Grand Canal Place" Series, "Lane" Series and "We-Life" Series according to the physical environment, patterns and consumer groups of different projects. Following post-pandemic changes, we maintained a leading position in a fiercely competitive retail market by building on existing product lines, and according to the project features, consumer demands, industry trends and judgement on policies relating to the industry, we practised artisanal and data-centric operation, applied adjustments sensitive to market conditions and responsive marketing. Both customer traffic and sales volume increased, average occupancy rate of the shopping malls in the year reached 95%. At the same time, we subdivided cities and multiple channels, fully integrating advantages of existing product line benchmark projects and digitalized system, nurturing key capabilities in light asset output and committing to building landmarks in the cities. For offices buildings, we already had a mature full-cycle asset management system and succeeded in building landmark offices in many cities. Focusing on asset management capabilities and value appreciation, we continued to upgrade our management excellence. Taking owners' needs into consideration, we augmented project value and image. We created value for customers through services that satisfied their needs, were international management standards and with abundant co-operation resources and professional teams. Office occupancy rate grew by approximately 10.2 percentage points compared to end of 2020. We also actively explored channels to consolidate resources, accentuated our management capabilities in building health to differentiate ourselves, probed various project-specific modes for expansion according to their special features and added 3 external projects from third parties.

During the year, our commercial property management business continued to grow, contracted GFA reached 7.3 million sq.m., up by approximately 35% from end of 2020, GFA under management reached 4.1 million sq.m., approximately 63% more from end of 2020. We reinforced our capabilities in mid to high-end commercial premises incessantly, followed service trends for these premises, understood customers' needs precisely and continually optimized service standards and systems. We were responsive to the national's carbon peaking and carbon neutral strategies. We reduced carbon emission, optimized operation of equipment and replaced energy-heavy materials to create a clean, comfortable and eco-friendly working and shopping environment for property owners. At the same time we remained committed to outward expansion. Taking strength from the combined capabilities of our service, teams and product series we fortified our relationships with major clients in all dimensions to win more newly-built or overseas projects.

Built brand premises on quality, determined to serve and be socially responsible

Being service-oriented, we emphasized on raising owners' satisfaction and service experience, fine-tuned management, continuously examined different scenarios and contact points, and ensured good brand reputation in basic services. With satisfying owners' needs in view, we personalized our services so that they are more practical for owners and accentuating our brand value. During the year, we improved on the numerous 'Service Manuals' and 'Operations Guidebooks' to raise service capabilities in different scenarios and business types. We repeatedly standardized our service systems and upgraded training on a 'dot — line — plane' concept. We empowered front-line employees adequately, reinforced their branding awareness, service awareness and skills, encouraged them to be self-motivated and innovative to raise satisfaction level and fee collection rate.

To cope with the recurrence and regional explosion of the pandemic during the year, we were in full compliance with government's measures for disinfection, publicity and closure management. We exercised stringent control on community entries and exits to curb further spread of the pandemic. We adopted swift but orderly measures and put in place 'rigorous but friendly' preventive organization, providing a seamless and efficient protective environment to ensure owners' safety and health. On the other hand, we provided shopping and delivery services for daily necessities. In case of torrential rain, snow storms or violent gale we always put owners' safety and possessions on top priority. Members of staff were on duty at all times, completing preparation work in advance, removing potential hazards as soon as practicable and building a solid 'safety fence' for owners.

We received widespread recognition by the public and the industry for our well-established brand and solid service quality. During the year, we won 12th place in "2021 TOP 100 Property Management Companies in China" issued by China Index Academy, "2021 TOP10 Property Management Companies (Commercial Property Management Services) in China" issued by Yihan Jiahe Family.

2022 outlook

Looking ahead, despite the ongoing macro measures and fluctuations in the industry, the nature of two-dimensional growth in property management will not change. The clear stance of the policies boosts confidence in the enterprises' development and broadens the industry's perimeters. Vertical deepening by subdividing services will continue to proceed. Enterprises need to count on their own professional capacity to enhance their service quality and growth. How to achieve high quality expansion and engage in healthy competition is a topic that every property service enterprise needs to address.

In 2022, the Group will adopt an even more proactive approach and adhere to the concept of 'serving customers with an artisan's spirit', with integrity and determination. We will remain steadfast to our principal business, enrich service contents continuously, and raise service quality and capabilities. We will be alert of policies relating to the industry and capture opportunities in the capital market. We will accelerate growth scale, focus on the two-dimensional expansion of value-added services, and incubate strategic subdivided segments with prospects to boost market share. We persevere with intensive cultivation, diligently apply management system on the principal business, and explore potential ceaselessly to enhance performance. We firmly hold our belief in sustainable development, build a team of talents who pursuit excellence, are pragmatic but bold, receptive and humble, honest and ambitious. Our vision is to become a branded superior integrated property management service provider in China, embark on a new journey in the year ahead and step up to a new stage of development.

Appreciation

On behalf of the Board, I would like to extend my deepest gratitude to all shareholders, investors, customers, business partners, the government and all the directors, management and the entire staff who have worked together with the Group. We could not have enjoyed our continued stable growth without their unreserved support.

YANG Deyong

Joint Chairman

Hong Kong, 18 March 2022

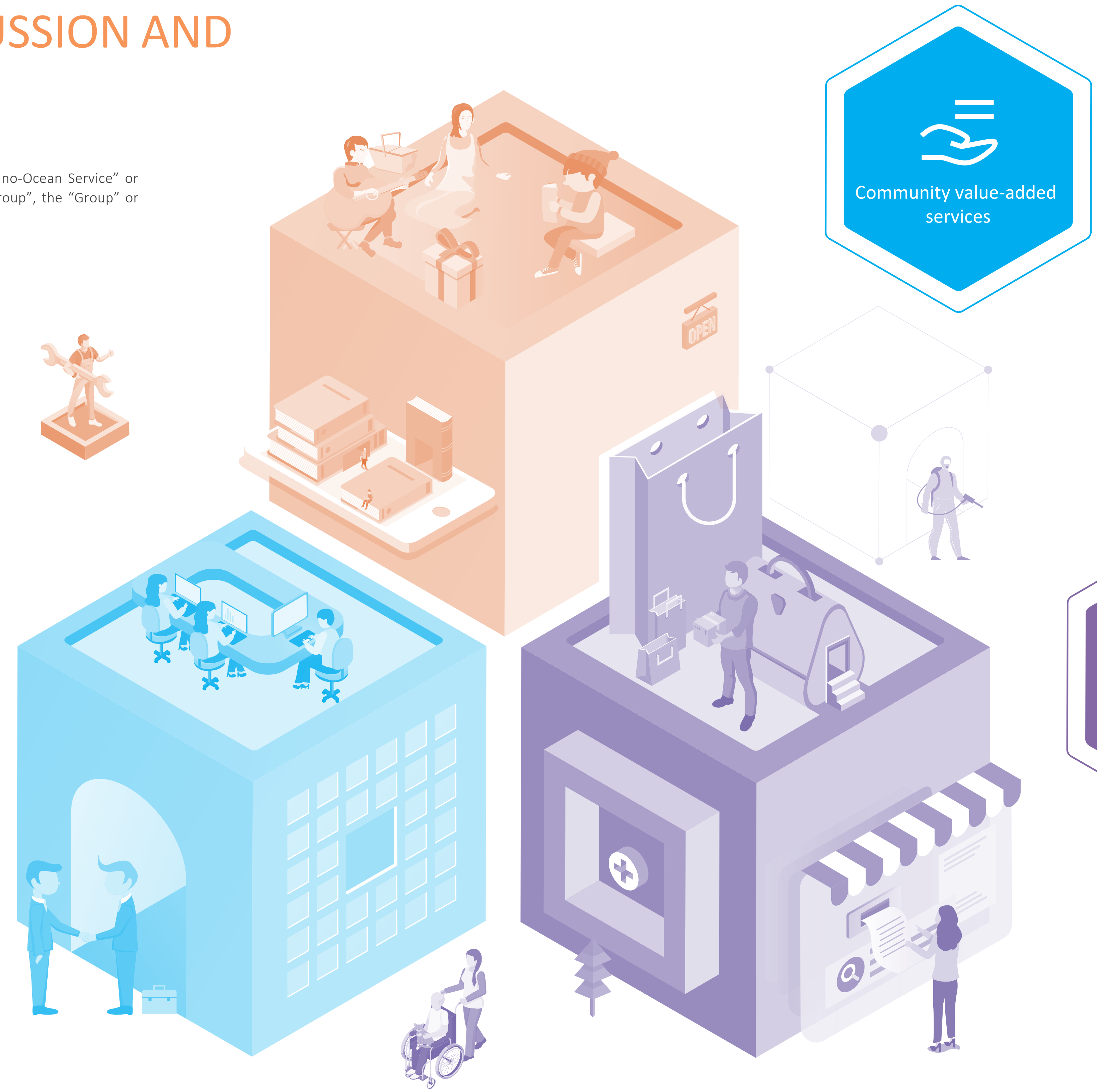
MANAGEMENT DISCUSSION AND ANALYSIS

A discussion and analysis of Sino-Ocean Service Holding Limited (“Sino-Ocean Service” or the “Company”) and its subsidiaries (together referred to as “our Group”, the “Group” or “We”) for the year ended 31 December 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, commercial properties such as shopping malls and offices and public and other properties, providing customers with comprehensive services along the value chain of property management, including, among others, property management and commercial operational services, community value-added services and value-added services to non-property owners. The Group has consistently enjoyed a sound reputation in the industry on the back of its quality services and proven industry experience over the years.



The Group’s services include three principal business segments:

(i) property management and commercial operational services;

(ii) community value added services; and

(iii) value-added services to non-property owners.

Property management and commercial operational services

The Group's property management and commercial operational services include two principal business lines: (i) property management services on residential and other non-commercial properties; and (ii) commercial operational and property management services on commercial properties.

Property management services on residential and other non-commercial properties

The Group provides a range of property management services including security, cleaning, greening, gardening and repair and maintenance services for residential and other non-commercial properties (such as hospitals, schools, government buildings and public service facilities).

During the year ended 31 December 2021, we charged property management fees for property management services substantially on a lump sum basis, with a small portion charged on a commission basis.

Commercial operational and property management services on commercial properties

The Group provides comprehensive services including, among others, commercial operational services and property management services for shopping malls and office buildings, including mainly:

(i) commercial operational services: we provide pre-opening management services (such as positioning and design management services, and tenancy sourcing and management services) and operation management services (such as opening preparation services, business plan management services, tenant coaching services, consumer management services and marketing services) for shopping malls and office buildings; and

(ii) property management services: we provide a range of property management services, including, among others, security, cleaning, greening, gardening and repair and maintenance services for shopping malls and office buildings.

Community value-added services

We provide community value-added services to property owners and residents of our managed properties to address their lifestyle and daily needs which mainly include:

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

(ii) community living services such as home appliances maintenance and repair services, retail sales of commodities, home decoration services, housekeeping and other bespoke services; and

(iii) property brokerage services.

Value-added services to non-property owners

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

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

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

(iii) property engineering services.

PROPERTY MANAGEMENT AND COMMERCIAL OPERATIONAL SERVICES

For the year ended 31 December 2021, the Group's revenue from property management and commercial operational services amounted to RMB1,588.4 million, accounting for approximately 53% of the Group's total revenue.

The table below sets forth a breakdown of segment revenue for the Group's property management and commercial operational services by business types:

	For the years ended 31 December			
	2021		2020	
	Revenue (RMB'000)	%	Revenue (RMB'000)	%
Property management services on residential and other non-commercial properties	1,126,331	71	978,773	73
Commercial operational and property management services on commercial properties	462,064	29	360,483	27
Total	1,588,395	100	1,339,256	100

Expanding scale and diversifying business lines in a multi-pronged effort to drive qualitative growth. As of 31 December 2021, our contracted property management services for various business types amounted to 488 projects, with contracted GFA of 105.9 million sq.m. and GFA under management of 73.5 million sq.m., growing by approximately 49% and 62%, respectively, compared to 31 December 2020. During the year, the Group achieved rapid growth through expansion by multiple channels, such as tendering, merger and acquisition, joint venture and strategic cooperation, providing strong assurance for qualitative growth in revenue from the property management services segment. In terms of business line, the Group was gradually expanding a diverse servicing regime covering shopping malls, office buildings, hospitals, industry parks, logistics parks, internet data centers, schools, government buildings and urban space on top of residential properties, and was stepping up with its exploration of the urban service segment in an active bid to deploy in smart city development and integrated urban operational services.

The table below sets forth a breakdown of the contracted GFA and GFA under management of property management service projects as at the dates indicated:

	As at 31 December	
	2021	2020
Contracted GFA ('000 sq.m.)	105,858	71,083
Number of projects relating to contracted GFA	488	318
GFA under management ('000 sq.m.)	73,484	45,450
Number of projects relating to GFA under management	360	238

Integrating advantageous channels and brand resources to forge independent market development capabilities. In an increasingly competitive marketplace, the stable development of Sino-Ocean Group Holding Limited ("Sino-Ocean Group") and its long-term support for the Group as the Group's controlling shareholder has enabled continuous, high-quality business growth. Meanwhile, the Group has also substantially enhanced its independent market development ability on the back of its regional advantage, channel resources and brand influence. For 2021, the percentage share of third parties in the Group's contracted GFA of property management service projects increased from approximately 33% to 51%, with third parties accounting for 32.6 million sq.m. or approximately 87% of our newly added contracted GFA.

The table below sets forth a breakdown of the contracted GFA and GFA under management of the Group's property management service projects as at the date indicated by the source of projects:

	As at 31 December							
	2021				2020			
	Contracted GFA ('000 sq.m.)	%	GFA under management ('000 sq.m.)	%	Contracted GFA ('000 sq.m.)	%	GFA under management ('000 sq.m.)	%
Properties developed/owned by Sino-Ocean Group (including its joint ventures and associates)	52,254	49	40,687	55	47,677	67	32,030	70
Properties developed/owned by other third parties[1]	53,604	51	32,797	45	23,406	33	13,420	30
Total	105,858	100	73,484	100	71,083	100	45,450	100

Note:

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

As of 31 December 2021, our projects cover 78 cities across 24 provinces, autonomous regions and municipalities in China. Our geographical coverage has expanded from the Beijing-Tianjin-Hebei region to the Bohai Rim region and other regions in China, covering 5 major city clusters in the nation. We have a significant regional advantage in Beijing-Tianjin-Hebei and Bohai Rim regions, while gradually increasing the proportionate share in the Eastern China, Southern China and Central and Western China regions. As of 31 December 2021, Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China, Southern China and Central and Western China region accounted for approximately 33%, 26%, 16%, 12% and 13%, respectively, of our GFA under management.

The table below sets forth a breakdown of the contracted GFA and GFA under management by geographic location as at the dates indicated and revenue generated from the Group's property management services for the years ended 31 December 2021 and 2020, respectively:

	As at 31 December or for the year ended 31 December							
	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]	32,312	24,615	613,456	40	19,279	13,869	574,571	43
Bohai Rim region[2]	23,903	19,215	312,025	20	17,936	13,542	295,194	22
Eastern China region[3]	16,361	11,891	290,719	19	10,149	6,679	233,033	17
Southern China region[4]	16,783	8,461	193,535	13	12,090	6,420	159,614	12
Central and Western China region[5]	16,499	9,302	120,168	8	11,629	4,940	76,844	6
Total	105,858	73,484	1,529,903	100	71,083	45,450	1,339,256	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, Ningbo, Wuxi, Wenzhou, Huzhou, Yangzhou, Wuhu, etc.

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

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

The Group's property management projects are mainly concentrated in first-tier and second-tier cities such as Beijing, Tianjin, Hangzhou and Chengdu. First-tier and second-tier cities accounted for approximately 92% of our GFA under management.

The table below sets out a breakdown of the contracted GFA and GFA under management in cities where the Group's property management projects were primarily located as at 31 December 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	18,176	17	16,143	22
New first-tier cities	32,551	31	21,783	30
Second-tier cities	39,612	37	29,481	40
Other cities	15,519	15	6,077	8
Total	105,858	100	73,484	100

Enhancing owners' satisfaction with standardized services and efficiency with delicacy management. In 2021, we enhanced owners' satisfaction through a wide range of measures, as the Group reported a 94% property fee collection rate. We implemented visualized service standards, meaning that our service standards are clear and direct, such that there could be mutual supervision among on-site staff. Front-desk servicing actions were streamlined and formalized to facilitate measurable and assessable outcome of services, through which to enhance customers' appreciation of our services and an interactive overall experience. The servicing awareness and competence of the teams were strengthened through butler classification and training to foster a high-calibre butlers' team offering premium quality. Feature activities addressing customers' needs, such as "Care for Seniors Golden Retirement Service", "Exclusive Housekeeping Service" and "Sino-Ocean Health Keeper", were launched to enhance our brand influence. The customer complaint management regime was optimized to facilitate swift response and timely solutions to customer complaints, as a marked decrease in the average valid complaint rate was noted. In connection with delicacy management, the Group was committed to enhancing the intensity of city management, seeking to improve its response ability and reduce management costs through the mechanism of replicated staff deployment for commercial spaces and residential spaces at integrated development projects in the same city. Digitalization of servicing scenarios and work scenarios was further promoted to strengthen the application of digital intermediary and back-office operation centres, while functions such as smart security, smart patrolling, vacating system and work order warranty and maintenance were shared among multiple business lines and areas to enhance management efficacy and efficiency.

Property management services on residential and other non-commercial properties

As of 31 December 2021, the contracted GFA and GFA under management of the Group's residential and other non-commercial property projects were approximately 98.5 million sq.m. and approximately 69.3 million sq.m., respectively, growing by approximately 50% and 62%, respectively, as compared to 31 December 2020. There were a total of 430 contracted property management projects, representing an approximate 51% growth compared to 31 December 2020.

The table below sets forth a breakdown of the contracted GFA and GFA under management of the Group's residential and other non-commercial property projects as at the dates indicated:

	As at 31 December	
	2021	2020
Contracted GFA ('000 sq.m.)	98,535	65,646
Number of projects relating to contracted GFA	430	285
GFA under management ('000 sq.m.)	69,335	42,902
Number of projects relating to GFA under management	319	217

Commercial operational and property management services on commercial properties

For the year ended 31 December 2021, the Group's revenue from commercial operational and property management services on commercial properties amounted to RMB462.1 million, growing by approximately 28% compared to the previous year.

Optimizing quality of mid- to high-end commercial property services while underpinning sustainability with green building concepts. As of 31 December 2021, the Group's commercial property management service projects with a contracted GFA amounted to 7.3 million sq.m. and GFA under management of 4.1 million sq.m., growing by approximately 35% and 63%, respectively, as compared to 31 December 2020. First-tier and second-tier cities accounted for more than 99% of our GFA under management. Focused on the two principal business forms of shopping malls and office buildings, the Group's commercial property management services continued to enhance rudimentary service standards and quality, while effectively improving customer satisfaction and reliance through the organization of a variety of feature community and cultural activities. The average property management fee for the year was RMB14.0/sq.m./month. In the meantime, we practised sustainable property management to the maximum extent by enhancing our energy utilization ratio and resource utilization ratio in adherence to the concept of "Building • Health". During the year, Ocean International Center (Beijing) and Ocean Office Park (Beijing) successfully obtained BOMA BEST International Management System certification and BOMA COE Building Management Certificate of Excellence, respectively.

Playing to the advantage afforded by our asset management platform to enhance servicing and operational capabilities on an ongoing basis. Since August 2021, the Group has started to undertake commercial operational services for shopping malls and office buildings of Sino-Ocean Group and its associates. An asset management platform has been established to accumulate experience in asset-light management, and project quality and profitability has been enhanced by leveraging fully the advantages afforded by the platform. For 2021, the gross profit margins of commercial operational services for shopping malls and office buildings were approximately 75% and 73%, respectively. For shopping mall projects, we bolstered strategic brand alliances with a special focus on developing premium brands to ensure the market competitiveness of our projects. Through research on "Generation Z" and insights into the journey of consumer experience with the aid of optimized data analysis tools, we consistently realigned our brand and business mixes to enhance our operational management capabilities. Intensive effort was made to identify members' potential and consolidate membership regimes, in order to empower operations on the back of accumulated data and extend the membership life cycle. Regarding office building projects, we consolidated our experience in operational management garnered so far to develop a differentiation edge through standardized services for space and specialized spatial conversion, as special customer activities were organized during holidays and festivals to foster a community ambience and enhance the concept of "Sharing • Health • Art". Improvements in the lease renewal rate, new customer referral rate, conversion rate and rental rates have been reported as a result.

Shopping malls

For the year ended 31 December 2021, the Group's revenue from commercial operational and property management services for shopping malls amounted to RMB251.9 million, growing by approximately 23% compared to the previous year.

The table below sets forth details of the contracted GFA and GFA under management of the Group's shopping mall projects as at the dates indicated:

	As at 31 December	
	2021	2020
Property management services		
Contracted GFA ('000 sq.m.)	5,678	4,355
Number of projects relating to contracted GFA	35	20
GFA under management ('000 sq.m.)	2,722	1,655
Number of projects relating to GFA under management	21	10
Commercial operational services[Note]		
Contracted GFA ('000 sq.m.)	905	N/A
Number of projects relating to contracted GFA	11	N/A
GFA under management ('000 sq.m.)	600	N/A
Number of projects relating to GFA under management	8	N/A

Note:

The Group has started to undertake commercial operational services for shopping malls and office buildings of Sino-Ocean Group and its associates since August 2021.

As at 31 December 2021, the Group provided commercial operational services to 8 shopping malls in operation and had 3 projects pending operation with a total contracted GFA of 0.9 million sq.m., located variously in first-tier and new first-tier cities such as Beijing, Tianjin, Wuhan and Hangzhou. The Group operates shopping malls through its three major product lines: the "Grand Canal Place" Series, "Lane" Series and "We-life" Series. The "Grand Canal Place" Series and the "Lane" Series are positioned as city-grade flagship commercial complexes, while the "We-life" Series is positioned as an urban community commercial hub.

The table below sets forth information of the shopping malls in operation and pending operation to which the Group provided commercial operational services by brand series as at 31 December 2021:

	Projects in operation		Projects pending operation	
Brand series	Number of projects	Total GFA ('000 sq.m.)	Number of projects	Total GFA ('000 sq.m.)
"Grand Canal Place" Series	1	138	1	104
"Lane" Series	0	0	1	175
"We-life" Series	7	462	1	26
Total	8	600	3	305

Office buildings

For the year ended 31 December 2021, the Group's revenue from commercial operational and property management services for office buildings amounted to RMB210.2 million, growing by approximately 35% compared to the previous year.

The table below sets forth details of the contracted GFA and GFA under management of the Group's office building projects as at the dates indicated:

	As at 31 December	
	2021	2020
Property management services		
Contracted GFA ('000 sq.m.)	1,645	1,082
Number of projects relating to contracted GFA	23	13
GFA under management ('000 sq.m.)	1,427	893
Number of projects relating to GFA under management	20	11
Commercial operational services[Note]		
Contracted GFA ('000 sq.m.)	1,198	N/A
Number of projects relating to contracted GFA	15	N/A
GFA under management ('000 sq.m.)	778	N/A
Number of projects relating to GFA under management	12	N/A

Note:

The Group has started to undertake commercial operational services for shopping malls and office buildings of Sino-Ocean Group and its associates since August 2021.

As at 31 December 2021, the Group provided commercial operational services to 12 office buildings in operation and had 3 projects pending operation with a total contracted GFA of 1.2 million sq.m, including 4 external projects from third parties accounting of approximately 19% of the total contracted GFA.

COMMUNITY VALUE-ADDED SERVICES

Foundation reinforced, regime improved, value-added services substantiated and comprehensive servicing abilities extended. For the year ended 31 December 2021, revenue from community value-added services amounted to RMB788.8 million, growing by approximately 149% compared to the previous year and accounting for approximately 27% of the Group's total revenue. In 2021, we further improved our community value-added service regime, in particular the four business focuses of "community living, leasing and sale, home decoration and resources from community space" to reinforce our business foundation and improve our product offering ability. In connection with community living services, service categories were meticulously designed on the basis of daily-life scenarios and customers' daily needs, while the "Ocean Homeplus U-select" online retail platform officially went into operation, connecting close to five thousand units in stock, introducing cooperative resources such as over one hundred branded manufacturers and source locations of production, and planning for marketing campaigns with special themes. Revenue from retail commodity sales grew by approximately 2,630% as compared to the previous year. In connection with lease and sales services, we have commenced operation of 40 property leasing outlets covering 70 projects in 12 cities, backed by an improved online business lease and sale system enabling large-scale management across different cities. Sales revenue grew by approximately 565% as compared to previous year. Regarding home decoration services, we integrated premium resources to deliver refined service products and constructed a matrix for standardized product lines covering the full life-cycle of the property based on the critical needs of users. Through strategic centralized procurement, we have built a nationwide business resource database to safeguard both services and price rates. In terms of spatial resources, we processed spatial resources on a data basis and conducted visualized management to facilitate reasonable planning and refined operation with the aid of the resource management system to enhance the efficiency of resource utilization.

Vigorous exploration of new businesses to identify new scope for growth. While bolstering our principal business, we also made vigorous attempts at new businesses such as community retirement, in a bid to open up a new scope for growth in the community value-added services. The Group was selected as a pilot entity for the first stage of the "property + retirement" initiative in Beijing of the Ministry of Housing and Urban-Rural Development in 2021 and a pilot entity of the "property service + retirement service" scheme of Beijing Municipal Civil Affairs Bureau in early 2022, as it improved its retirement service regime with the benefit of policy support while provided experiences for the development of this sector. We conducted a series of customer poll and business planning and implementation on a trial basis at Ocean Paradise (Beijing) to plan for services such as home conversion for aged residents, catering, daily-life services, entertainment, community welfare and medical care based on an asset-light platform for community home retirement services, in a bid to meet the needs of elderly property owners. The door-step and remote community retirement service models were consistently verified and upgraded to build up service experience and lay a solid foundation for the burgeoning development of the new business.

The following table sets forth a breakdown of the Group's revenue generated from community value-added services by service types for the years ended 31 December 2021 and 2020, respectively:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Community asset value-added services[1]	326,565	41	245,185	78
Community living services[2]	256,671	33	38,505	12
Property brokerage services[3]	205,599	26	32,481	10
Total	788,835	100	316,171	100

Notes:

1) Community asset value-added services mainly include carpark management services and community space operation services.

2) Community living services 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) Property brokerage services 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

Optimization of the engineering service business chain and deployment in smart city and smart properties. For the year ended 31 December 2021, revenue from value-added services to non-property owners amounted to RMB588.3 million, growing by approximately 60% as compared to the previous year and accounting for approximately 20% of the Group's total revenue. On the back of our extensive management experience and build-up of specialized technologies in engineering maintenance and intelligent service, we were actively exploring the property engineering service market, seizing firmly customers' requirement for equipment maintenance services as we further advanced various businesses such as intelligent conversion and mechanical and electrical installation to form a complete service chain that would enhance customer reliance. Meanwhile, we deployed in smart city operation, maintenance and management to provide maintenance security for the operation of smart city infrastructure and the operation of urban space.

Forging a smart technology property platform and upgrading our digital operational decision-making regime. During the year, the Group established Beijing Yingwei Technology Service Co., Ltd.* (北京應維科技服務有限公司) in joint venture with Beijing Intelligent Building Technology Co., Ltd.* (北京智能建築科技有限公司) to provide smart conversion and upgrade as well as premium maintenance and repair services with a special focus on the full-cycle management of mid- to high-end property equipment and facilities. A smart technology property platform providing smart operational service systems and solutions has been built to facilitate the upgrade of traditional properties from the operation of space and assets to a digitalized operational decision-making regime.

The following table sets forth a breakdown of the Group's revenue generated from value-added services to non-property owners by service types for the years ended 31 December 2021 and 2020, respectively:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Pre-delivery services[1]	204,109	35	197,653	54
Consultancy services[2]	136,396	23	58,605	16
Property engineering services[3]	247,824	42	111,634	30
Total	588,329	100	367,892	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.

* For identification purposes only.

FUTURE DEVELOPMENT PLANS AND OUTLOOK

To consistently expand our business scale and enhance the ability to develop third-party customers.

We will enhance our ability to develop third-party customers by optimizing our deployment in cities and diversifying our channels, in a bid to expand our business scale and business services, while ensuring the operating efficiency of our projects to fortify our ability to develop independently. We will continue to deepen cultivation in first- and second-tier cities and other strategic cities where we have established a heavy presence, while seeking entry into other opportunistic cities where conditions are favourable to enhance the effect of regional synergetic management. Focused on our principal business lines of residential and commercial properties, we will vigorously explore property management services for a diverse range of sectors through channel development and strategic cooperation, in order to speedily complement our existing portfolio with sectors that offer growth potential and synergy, such as hospital, schools, government buildings and industry parks. Meanwhile, we will also actively drive the implementation of city service projects. We will ensure the operating efficiency of external projects in persistent adherence to the principle of qualitative development. In the meantime, we will further accelerate the recruitment of talents and forge an elite market development team through staff training, appraisal and the realignment mechanism to provide staunch support for rapid growth in the scale of expansion.

To develop the principal business of community value-added services with intensive effort while actively exploring innovative businesses such as community retirement services.

We will continue to deepen as well as broaden our existing community value-added services. While continuing to focus on the depth and scope of the principal business, we will also implement innovative business models based on users, services, scenarios and resources. In connection with the principal business, we will forge a solid business foundation, expand our business scale and improve our serviced quality based on users' requirements and daily-life scenario, with a view to enhancing customer reliance and identifying customer values. In the meantime, we will streamline our business process regime and advance scenario-based, product-based and refined operations, implementing business details to enhance operating efficiency. Regarding innovative businesses, we will continue to identify value-added services holding out good potential, including sub-segments such as community retirement services, tourism, food catering and future education. We will continue to increase investment in community retirement and optimize the asset-light platform operating model for home retirement services to offer service quality and service standards, while seeking high-calibre partners to provide long-term, sustainable home retirement services as well as improving our online and offline smart retirement service regime to foster brand influence and expand our scale.

To enhance core competitiveness by optimizing end-to-end property management + asset management services in the commercial segment.

We will further identify the requirements of commercial customers and optimize the end-to-end service regime for essential property management services plus asset-light commercial asset management services to expand the commercial segment, enhance profitability and improve core competitiveness. We will consolidate the property management and commercial operational teams and resources and step up with the creation of tiered service products and feature auxiliary services for essential property management according to the characteristics of commercial customers and the changing trends of their demands. Leveraging further the operating advantage of our asset management platform, we will design marketing activities through multi-dimensional data estimations and intelligent analysis and optimize our operational management strategy on a data-centric basis to enhance our capabilities in refined operations and improve the operating efficiency of projects. We will strengthen the promotion and application of the "Building • Health" concept in the course of project operation to foster "differentiated" services, with a view to enhancing overall service quality and customer satisfaction, as well as assuring stable growth in renewal rate and rental level.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2021 increased significantly by approximately 47% to RMB2,965.6 million, from RMB2,023.3 million in 2020. The Group's revenue is mainly generated from (i) property management and commercial operational services; (ii) community value-added services; and (iii) value-added services to non-property owners, which contributed approximately 53%, 27% and 20% of the Group's total revenue in 2021, respectively.

The following table sets forth the breakdown of our revenue by business lines for the years ended 31 December 2021 and 2020 respectively:

	For the years ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Property management and commercial operational services				
(a) Property management services on residential and other non-commercial properties	1,126,331	38	978,773	48
(b) Commercial operational and property management services on commercial properties	462,064	15	360,483	18
Sub-total	1,588,395	53	1,339,256	66
Community value-added services	788,835	27	316,171	16
Value-added services to non-property owners	588,329	20	367,892	18
Total	2,965,559	100	2,023,319	100

Revenue from property management and commercial operational services increased by approximately 19% to RMB1,588.4 million in 2021 from RMB1,339.3 million in 2020, among which, (a) revenue from property management services on residential and other non-commercial properties increased by approximately 15% to RMB1,126.3 million in 2021 from RMB978.8 million in 2020. The increase was mainly attributable to an increase in our GFA under management, which reached 69.3 million sq.m. as at 31 December 2021 (31 December 2020: 42.9 million sq.m.) with an increase in the number of properties under management to 319 as at 31 December 2021 (31 December 2020: 217), due to our business expansion; (b) revenue from commercial operational and property management services on commercial properties increased by approximately 28% to RMB462.1 million in 2021 from RMB360.5 million in 2020. The increase was mainly attributable to (i) an increase in our GFA under property management services, which reached 4.1 million sq.m. as at 31 December 2021 (31 December 2020: 2.5 million sq.m.) with an increase in the number of commercial properties under property management services to 41 as at 31 December 2021 (31 December 2020: 21), due to our business expansion; and (ii) the extension of commercial operational services to the owners of shopping malls and office buildings for 20 projects with a total GFA under management of 1.4 million sq.m. as at 31 December 2021 (31 December 2020: nil).

Revenue from community value-added services increased by approximately 149% to RMB788.8 million in 2021 from RMB316.2 million in 2020. The increase was mainly attributable to (i) revenue from community living services increased by approximately 567% to RMB256.7 million in 2021 from RMB38.5 million in 2020 due to the increase in income from home decoration services and retail sales of commodities with our vigorous promotion during the year; and (ii) revenue from property brokerage services increased by approximately 533% to RMB205.6 million in 2021 from RMB32.5 million in 2020 as a result of our successful expansion of the coverage of our property brokerage services during the year.

Revenue from value-added services to non-property owners increased by approximately 60% to RMB588.3 million in 2021 from RMB367.9 million in 2020. The increase was mainly attributable to (i) revenue from consultancy services which increased by approximately 133% to RMB136.4 million in 2021 from RMB58.6 million in 2020 due to our vigorous promotion and the increase of bespoke consultancy services to property developers to assist with the overall planning and coordination of pre-sale activities; and (ii) revenue from property engineering services which increased by approximately 122% to RMB247.8 million in 2021 from RMB111.6 million in 2020, which was primarily because we undertook more property engineering projects for the repair and maintenance services and smart management services for property projects during the year.

Cost of sales

Cost of sales increased by approximately 42% to RMB2,140.7 million for the year ended 31 December 2021 as compared with that of RMB1,512.0 million for the year ended 31 December 2020. The increase was in line with the increase in the Group's revenue.

The cost of sales comprised mainly (i) sub-contracting costs for security, greening and cleaning; (ii) staff cost; (iii) maintenance expenses; (iv) cost of consumables and raw materials; (v) cost of goods sold; and (vi) sub-contracting costs for home decoration and property agency services.

Sub-contracting costs for security, greening and cleaning for the year ended 31 December 2021 increased by approximately 23% to RMB689.4 million as compared to RMB559.7 million for the year ended 31 December 2020, which was primarily attributable to the increase in our GFA under management as well as a general increase in sub-contracting fees charged by our sub-contractors due to an increase in labor costs of our sub-contractors.

Staff cost for the year ended 31 December 2021 increased by approximately 27% to RMB620.6 million as compared with that of RMB489.7 million for the year ended 31 December 2020, which was in line with the continuous increase in the number and scale of the Group's projects under management and additional staff are required. Also, we were entitled to certain exemptions from contributions of social insurance by the local governments in response to the pandemic during the first half of 2020, while there was no such exemption in 2021.

Maintenance expenses and cost of consumables and raw materials increased by approximately 47% and 83% to RMB232.4 million and RMB131.1 million for the year ended 31 December 2021, respectively, as compared to RMB158.2 million and RMB71.8 million for the year ended 31 December 2020, respectively, which was in line with the increase in revenue from property engineering services.

Cost of goods sold and sub-contracting costs for home decoration and property agency services increased to RMB115.6 million and RMB100.0 million for the year ended 31 December 2021, respectively, as compared to nil and nil for the year ended 31 December 2020, respectively, which was primarily attributable to the expansion of retail sales of commodities and home decoration services.

Gross profit and gross profit margin

Gross profit increased by approximately 61% to RMB824.8 million for the year ended 31 December 2021 from RMB511.3 million for the year ended 31 December 2020. Our overall gross profit margin increased to approximately 28% for the year ended 31 December 2021 from approximately 25% for the year ended 31 December 2020 primarily due to the increased contribution in revenue from community value-added services and commercial operational services which recorded higher gross profit margins.

The table below sets forth the breakdown of our gross profit and gross profit margin by business lines for the years indicated:

	For the years ended 31 December			
	2021		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%
Property management and commercial operational services (a) Property management services on residential and other non-commercial properties	222,283	20	161,760	17
(b) Commercial operational and property management services on commercial properties	155,702	34	77,878	22
Sub-total	377,985	24	239,638	18
Community value-added services	316,495	40	197,340	62
Value-added services to non-property owners	130,355	22	74,323	20
Total	824,835	28	511,301	25

Gross profit margin for property management and commercial operational services increased from approximately 18% for the year ended 31 December 2020 to approximately 24% for the year ended 31 December 2021 which was primarily due to (i) our active implementation of refined management measures to improve efficiency; and (ii) the extension of commercial operational services in 2021 with a higher gross profit margin.

Gross profit margin for community value-added services decreased from approximately 62% for the year ended 31 December 2020 to approximately 40% for the year ended 31 December 2021 which was primarily due to the increased contribution in revenue from home decoration services and retail sales of commodities with lower gross profit margins as compared to traditional community value-added services.

Gross profit margin for value-added services to non-property owners increased from approximately 20% for the year ended 31 December 2020 to approximately 22% for the year ended 31 December 2021 which was primarily due to the increased contribution for revenue from consultancy services with a higher 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 incremental cost, in particular, staff cost.

Other income and other net losses

The other income for the year ended 31 December 2021 mainly comprised of government grants and interest income. The other income decreased by approximately 79% to RMB35.6 million for the year ended 31 December 2021 from RMB173.5 million for the year ended 31 December 2020. The decrease was mainly attributable to the decrease of interest income from loans due from a related party of RMB147.4 million since the loan was settled in full during 2020.

We recorded other net losses of RMB7.2 million for the year ended 31 December 2021 as compared to net losses of RMB10.2 million for the year ended 31 December 2020. The decrease of RMB3.0 million was mainly due to the decrease of net foreign exchange losses as a result of the reduction of foreign currency deposits whilst the appreciation of RMB against HKD and USD during 2021.

Operating expenses

Selling and marketing expenses increased by approximately 45% to RMB22.8 million for the year ended 31 December 2021 from RMB15.7 million for the year ended 31 December 2020. The increase was primarily due to the resumption of community activities during the year ended 31 December 2021 as the epidemic in mainland China has eased.

Administrative expenses increased by approximately 57% to RMB286.1 million for the year ended 31 December 2021 from RMB182.8 million for the year ended 31 December 2020. The increase was primarily due to the (i) increase in post-listing related expenses; (ii) increase in staff cost during the year as there are more staff being recruited after the Company is listed on the Stock Exchange, and there had been no exemptions from contributions of social insurance during 2021; and (iii) the increase in office expenses as a result of the enhancement of our internal information technology infrastructure and the expansion and diversification of businesses during the year. The increase was partially offset as we incurred listing expenses of RMB37.5 million for the year ended 31 December 2020 but nil for the year ended 31 December 2021.

Net impairment losses on financial assets

Net impairment losses on financial assets decreased by approximately 37% to RMB19.7 million for the year ended 31 December 2021 from RMB31.2 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in net impairment losses on trade receivables as a result of the enhanced collection of trade receivables.

Finance cost

Finance cost decreased by RMB130.0 million to RMB1.4 million for the year ended 31 December 2021 from RMB131.4 million for the year ended 31 December 2020, which was mainly attributable to the decrease of RMB130.4 million in interest expenses incurred for asset-backed securities since we have early repaid it in full in 2020.

Share of results in joint ventures

Share of results in joint ventures increased by RMB15.3 million to RMB31.4 million for the year ended 31 December 2021 from RMB16.1 million for the year ended 31 December 2020. The significant increase was mainly attributable to the share of full year profit from the 50% equity interest in two property management companies we acquired in June 2020.

Taxation

In line with the increase of profit before income tax, income tax expense increased by approximately 68% to RMB113.3 million for the year ended 31 December 2021 from RMB67.6 million for the year ended 31 December 2020. Effective tax rate for the year ended 31 December 2021 remained stable at approximately 20% (2020: approximately 20%).

Profit attributable to owners of the Company

Benefiting from the increase of revenue and the improvement in profitability for the year ended 31 December 2021, the profit attributable to owners of the Company increased by approximately 70% to RMB439.0 million, as compared to RMB257.6 million for the year ended 31 December 2020. Our management will continue to focus on the improvement of our shareholders' return as on-going task.

Investment properties

As at 31 December 2021, the Group did not have any investment properties (31 December 2020: RMB85.5 million). Our investment properties as at 31 December 2020 represented certain community facilities and carpark spaces located in the PRC which are 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 year accordingly.

Property, plant and equipment

Property, plant and equipment mainly consisted of office and operating equipment, leasehold improvement, vehicles and buildings. As at 31 December 2021, the Group's property, plant and equipment increased to RMB23.0 million from RMB20.2 million as at 31 December 2020 primarily due to the procurement of office and operating equipment and acquisition of subsidiary.

Intangible assets

Our intangible assets comprised of computer software, property management contracts and customer relationship, trademark and goodwill. As at 31 December 2021, the Group's intangible assets increased by RMB57.3 million to RMB164.3 million from RMB107.0 million as at 31 December 2020. The increase was primarily attributable to (i) the goodwill of RMB37.8 million and (ii) the property management contracts and customer relationship of RMB22.7 million arising from the acquisition of 80% equity interests of Ourui Property Management Group Limited*(甌睿物業集團有限公司) in 2021. The goodwill arising from the above acquisition represented the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired. The property management contracts and customer relationship acquired in the above acquisition are recognised at fair value at the acquisition date.

* For identification purpose only.

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 increased to RMB176.2 million as at 31 December 2021 from RMB122.9 million as at 31 December 2020 mainly because the Group transferred certain community facilities and carpark spaces, which were classified as investment properties, to inventories during the year 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 and commercial operational services and value-added services provided. 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 30 days for commercial operational services and 60 days for value-added services to non-property owners.

As at 31 December 2021, our trade and note receivables amounted to RMB523.7 million, representing an increase of approximately 66% as compared to RMB315.5 million as at 31 December 2020. The increase was in line with the significant increase of the Group's revenue during the year. The average trade and note receivables turnover days during the year was 59 days (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 RMB219.6 million as at 31 December 2021 from RMB114.7 million as at 31 December 2020. The increase was primarily due to the increase of deposits paid to Sino-Ocean Group and its associates for obtaining the exclusive sales right on parking spaces in relation to our property brokerage services.

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 primarily represent: (i) other payables to third parties; (ii) other payables to related parties; (iii) dividend payables; (iv) salaries payables; and (v) other tax payables.

As at 31 December 2021, our trade and other payables amounted to RMB926.9 million, representing an increase of approximately 40% as compared to RMB659.8 million as at 31 December 2020, which was in line with the increase in cost of sales during the year. The average trade payables turnover days during the year remained stable at 62 days (2020: 64 days).

Contract liabilities

Contract liabilities represent our obligations to provide the contracted property management and commercial operational services, community value-added services and valued-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 and carpark management services are yet to be provided. As at 31 December 2021, our contract liabilities amounted to RMB384.2 million, representing an increase of approximately 17% as compared to RMB327.9 million as at 31 December 2020 which was primarily resulting from expansion of business activities.

Capital expenditures

During the year ended 31 December 2021, we incurred capital expenditures of RMB14.9 million, representing an increase of approximately 66% as compared to RMB9.0 million for the year ended 31 December 2020, which mainly consisted of (i) purchase of property, plant and equipment such as office and operating equipment and (ii) purchase of intangible assets such as computer software.

Financial resources and liquidity

Our principal cash requirements are to pay for working capital needs and capital expenditures for the expansion and procurement of property, plant and equipment and 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 31 December 2021, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) amounting RMB2,527.1 million (31 December 2020: RMB2,175.4 million), of which approximately 70% (31 December 2020: approximately 28%) of the Group's cash resources were denominated in RMB with the remaining balances mainly denominated in USD and HKD, 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 31 December 2021 and 31 December 2020, the Group had no borrowings.

Major investments

As at 31 December 2021, the Group 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 or capital assets.

Capital commitments

As at 31 December 2021, the Group had capital commitments of RMB61.2 million (31 December 2020: nil), which related to capital investment in acquisition of subsidiaries primarily engaged in the provision of property management services in Zhengzhou and Dalian.

Charge on assets

As at 31 December 2021, we did not have any charges on our assets.

Contingent liabilities

As at 31 December 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 for the year ended 31 December 2021.

Other Information

- ### Risk of exposure to exchange rate fluctuations

  The principal activities of the Group are conducted in the PRC. Foreign currency transaction mainly included receipts of proceeds from listing on the Stock Exchange and payment of professional fees which are dominated in HKD and USD. As at 31 December 2021, major non-RMB assets are cash and cash equivalents of RMB751.5 million denominated in HKD and USD (31 December 2020: RMB1,557.6 million). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. During the year ended 31 December 2021, the Group did not use any financial instruments for hedging purpose. 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.

Employees and human resources

As at 31 December 2021, the Group had 7,027 employees (31 December 2020: 5,928 employees). The total number of employees serving the Group has increased as there are more staff being recruited after the listing of the Company on the Stock Exchange and it was in line with our business expansion during the year. We will continue to strive for improvement in both manpower effectiveness and governance capability of the Group. Our employee benefit expenses for 2021 was RMB802.1 million (2020: RMB579.3 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 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 HKD1,691.7 million (equivalent to approximately RMB1,426.3 million) and the net proceeds per share were HKD5.72 (equivalent to approximately 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 (equivalent to approximately RMB855.8 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 (equivalent to approximately RMB285.3 million), will be used to develop smart community through upgrading of our systems for smart management;
- Approximately 10%, or HKD169.2 million (equivalent to approximately RMB142.6 million), will be used to enhance our level of digitization and our internal information technology infrastructure; and
- Approximately 10%, or HKD169.2 million (equivalent to approximately RMB142.6 million), will be used for working capital and general corporate purpose.

As at 31 December 2020, none of the net proceeds had been utilised. As at 31 December 2021, our planned use and actual use of net proceeds from listing were as follows:

	Percentage of net proceeds	Available to utilise	Utilised during 2021	Accumulated utilised (up to 31 December 2021)	Unutilised (as at 31 December 2021)	Expected timetable for the usage of the unutilised net proceeds as of 31 December 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	60%	855.8	45.7[1]	45.7	810.1	On or before 31 December 2023
Develop smart community through upgrading of our systems for smart management	20%	285.3	14.0	14.0	271.3	On or before 31 December 2023
Enhance our level of digitization and our internal information technology infrastructure	10%	142.6	28.1[2]	28.1	114.5	On or before 31 December 2023
Working capital and general corporate purpose	10%	142.6	35.2	35.2	107.4	On or before 31 December 2022
Total	100%	1,426.3	123.0	123.0	1,303.3	

The directors of the Company are not aware of any material change to the planned use of net proceeds as at the date of this report. The unutilised net proceeds as at 31 December 2021 were deposited with licensed banks or financial institutions in Hong Kong and mainland China for short-term deposits.

Notes:

1) Among the RMB45.7 million paid for business acquisition, RMB25.5 million was the partial payment for the acquisition of 80% of equity interests of a company primarily engaged in the provision of property management services in Wenzhou; and RMB20.2 million was the partial payment for the acquisition of 51% of equity interests of a company primarily engaged in the provision of property management services in Zhengzhou. As at the date of this report, the two acquisitions above have been completed.

2) As disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 7 December 2020, approximately 3% of net proceeds, or HKD50.9 million (equivalent to approximately RMB42.8 million) shall be used to establish and/or develop our operation management system for community value-added services by first half of 2021 and approximately 2% of net proceeds, or HKD34.0 million (equivalent to approximately RMB28.5 million) shall be used to establish and/or develop our financial-related systems by second half of 2021. As at 31 December 2021, only RMB9.6 million and RMB10.8 million were used on the aforesaid operation management system for community value-added services and financial-related systems, respectively, as we are formulating comprehensive information technology infrastructure development plan for better outcome to be generated by these systems. The related establishments and developments of the systems are expected to complete gradually in 2022.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of Sino-Ocean Service Holding Limited (the "Company") as of 31 March 2022, being the latest practicable date prior to the issue of this annual report, are as follows:

Executive Directors

Mr. Yang Deyong

Mr. Yang Deyong, aged 48, joined the board of directors of the Company (the "Board") in September 2020 and is the joint chairman, executive director, chief executive officer, chairman of the nomination committee and member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Yang joined Sino-Ocean Group Holding Limited ("Sino-Ocean", together with its subsidiaries, "Sino-Ocean Group"), the controlling shareholder of the Company and the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in April 2007 and served successively as general manager of Sino-Ocean Property Development (Zhongshan) Co., Ltd., general manager of customer services division, assistant to the president and vice president of Sino-Ocean Group and other positions. Mr. Yang joined Ocean Homeplus Property Service Corporation Limited ("Ocean Homeplus") in August 2015 and served successively as a director, chairman and general manager. Mr. Yang has extensive experience in corporate governance, business development and management. Mr. Yang graduated from Renmin University of China with a bachelor's degree in economics in 1995; graduated from Sun Yat-sen University with a master's degree in business administration in 2004; and graduated from China Europe International Business School with an EMBA degree in 2015.

Ms. Zhu Geying

Ms. Zhu Geying, aged 48, joined the Board in September 2020 and is an executive director and chief operating officer of the Company. She is also a director of certain subsidiaries of the Company. Ms. Zhu joined Sino-Ocean Group in July 2001 and served successively as the project finance manager and the chief financial officer of the enterprise division of Sino-Ocean Group; she joined Ocean Homeplus in October 2016, and was appointed as a director since February 2018 and, the chief financial officer since April 2019 and was re-designated as the chief operating officer since August 2021. Ms. Zhu has over 25 years of financial management experience. Ms. Zhu graduated from the Capital University of Economics and Business with a bachelor's degree in economics in 1996. In July 2010, she was qualified as a senior accountant in the PRC.

Non-executive Directors

Mr. Cui Hongjie

Mr. Cui Hongjie, aged 49, joined the Board in September 2020 and is the joint chairman, non-executive director, member of the audit committee and nomination committee of the Company. Mr. Cui joined Sino-Ocean Group in August 1996 and is serving as an executive director and executive president of Sino-Ocean, and general manager of the product construction centre of Sino-Ocean Group. Mr. Cui previously served as general manager of the costing and engineering department, general manager of technology and cost department, assistant to CEO and vice president of Sino-Ocean Group. Mr. Cui has extensive experience in operation and development of real estate, product creation and management. Mr. Cui graduated from Beijing University of Technology with a bachelor's degree in engineering in 1996 and a master's degree in engineering in 2001. Mr. Cui is a member of the Royal Institution of Chartered Surveyors, a national registered first-class constructor and a senior engineer.

Mr. Zhu Xiaoxing

Mr. Zhu Xiaoxing, aged 39, joined the Board in April 2020 and is serving as the vice chairman, non-executive director and member of the audit committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Zhu joined Sino-Ocean Group in 2008 and is serving as a key management responsible for the investment and finance function of Sino-Ocean Group. Mr. Zhu had previously served as deputy general manager of the capital operation department, and as general manager of the office of CEO affairs of Sino-Ocean Group. Mr. Zhu has over 10 years of experience in property investment, financing and business management. Mr. Zhu graduated from Southwest University of Political Science & Law with a bachelor's degree in management in 2005; and graduated from Peking University with a master's degree in law in 2008. Mr. Zhu was admitted to practice law in the PRC in 2006 and was admitted in the PRC to practice as a certified public accountant in 2009.

Independent Non-executive Directors

Dr. Guo Jie

Dr. Guo Jie, aged 57, joined the Board in November 2020 and is serving as an independent non-executive director, member of the audit committee, remuneration committee and nomination committee of the Company. Since May 1997, Dr. Guo has worked in the school of economics of Renmin University of China, and is currently a professor and a doctoral advisor in the school of economics, engaged in teaching and research. Dr. Guo graduated from Renmin University of China with a master's degree in economics in 1996 and a doctorate in economics in 2004.

Dr. Xue Jun

Dr. Xue Jun, aged 47, joined the Board in November 2020 and is serving as an independent non-executive director, chairman of the remuneration committee, member of the audit committee and nomination committee of the Company. Since August 2005, Dr. Xue has been working at Peking University in their law school, and is currently a professor of their law school. Since February 2015, Dr. Xue has been listed on the panel of arbitrators of the Beijing Arbitration Commission. Since September 2018, he was appointed as the director of Peking University's law research center on e-commerce. Dr. Xue graduated from Zhongnan University of Economics and Law (previously known as Zhongnan University of Political Science and Law) with a bachelor's degree in law in 1996 and a master's degree in civil and commercial law in 2000; and graduated from University of Rome II (Università degli Studi di Roma Tor Vergata) with a doctorate in Roman law in 2005.

Mr. Zhu Lin (formerly known as Zhu Xiaolin)

Mr. Zhu Lin, aged 48, joined the Board in November 2020 and is serving as an independent non-executive director, chairman of the audit committee and member of the nomination committee of the Company. Mr. Zhu has extensive experience in accounting and financial consulting. Mr. Zhu served as a senior manager at the mergers and acquisitions department of PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (Beijing Branch) and is currently a partner of Beijing Legendhouse CPAs. Mr. Zhu is currently an independent non-executive director of each of Tsaker Chemical Group Limited and Archosaur Games Inc., which are companies listed on the Stock Exchange, and a director of Jiangsu Changshu Automotive Trim Group Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr. Zhu was a director of Beijing Chexun Internet Co., Ltd., a company listed on the National Equities Exchange and Quotation (NEEQ), and resigned in April 2021. He was also an independent director of Sinostar Cable Co., Ltd., a company listed on the Shenzhen Stock Exchange ChiNext, and resigned in May 2021. Mr. Zhu graduated from the Central University of Finance and Economics with a bachelor's degree in economics in 1995. Mr. Zhu is a member of the Chinese Institute of Certified Public Accountants.

Senior Management

Mr. Guo Zhibao

Mr. Guo Zhibao, aged 47, is the vice president of the Company. Mr. Guo joined the Company in 2015. Mr. Guo used to be a director of the electromechanical committee at Beijing Vanke Property Services Co., Ltd. and an equipment manager of the technology department at Longfor Property Services Group Co., Ltd. He has extensive experience in electromechanical professional technology research and development and management, and engineering management. Mr. Guo completed a degree in civil engineering at China University of Geosciences, via distance learning in 2016; he graduated from Beijing Open University Shunyi Branch with a bachelor's degree in administrative management in 2020. Mr. Guo is a registered electrical engineer in the PRC.

Mr. Du Xin

Mr. Du Xin, aged 46, is the vice president of the Company. Mr. Du joined the Company in 2008. Mr. Du used to be a business manager and a consulting manager of Shenzhen Gemdale Property Management Co., Ltd., and the business manager and a project manager of Agile Group Holdings Limited. He has extensive experience in business operations and project management. Mr. Du completed a degree in engineering management at Central South University, via distance learning in 2015. Mr. Du is a qualified quality control engineer in the PRC.

Mr. Wang Lifeng

Mr. Wang Lifeng, aged 45, is the vice president of the Company. Mr. Wang joined the Company in 2009 and has served as the general manager of Shenyang Ocean Foundation Property Management Co., Ltd., and the general manager and regional supervisor of Dalian Ocean Foundation Property Management Co., Ltd. Mr. Wang used to be a project development supervisor of Shenyang Vanke Enterprises Company Limited, responsible for real estate development-related work. Mr. Wang has extensive experience in business operations and project management. Mr. Wang completed a degree in construction engineering at Tianjin University, via correspondence learning in 2004; he graduated from Dalian University of Technology with a master's degree in business administration in 2019. Mr. Wang is a registered as a civil engineer and a certified property manager in the PRC.

Mr. Liu Xu

Mr. Liu Xu, aged 37, is the chief financial officer of the Company. Mr. Liu joined Sino-Ocean Group in July 2009 and worked for financial and capital center of Sino-Ocean Group as an assistant to general manager of the department. He also served as chief financial officer of a joint venture company of Sino-Ocean Group, Shanghai Xinzheng Finance and Economy Information Consulting Co., Ltd.* (上海新證財經信息諮詢有限公司), assistant to general manager of asset management centre and deputy chief financial officer of customer service department of Sino-Ocean Group. Mr. Liu joined the Company in April 2020 as the deputy chief financial officer and was appointed as the chief financial officer in August 2021. Mr. Liu has extensive experience in financial management. Mr. Liu graduated from the accounting department of Renmin University of China with a bachelor's degree in management in 2007 and obtained a master's degree in management (professional in accounting) from Renmin University of China in 2009.

Company Secretary

Mr. Chung Kai Cheong

Mr. Chung Kai Cheong, aged 44, has been appointed as the company secretary of the Company since September 2020. Mr. Chung has also been the company secretary of Sino-Ocean since March 2020. Mr. Chung obtained a bachelor's degree majoring in Accountancy from City University of Hong Kong. He is currently a fellow of each of Hong Kong Institute of Certified Public Accountants, The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute. Mr. Chung gained extensive experience in auditing, accounting, financial management, corporate finance, investments, compliance of Rules Governing the Listing of Securities on the Stock Exchange and related regulations in Hong Kong through his works in international Big Four accounting firm, companies listed on the Stock Exchange and a licensed corporation defined under the Securities and Futures Ordinance.

* For identification purposes only.

INVESTOR RELATIONS REPORT

PROMOTING VALUE

Sino-Ocean Service Holding Limited (the "Company", together with its subsidiaries, the "Group") and its management attach great importance to effective communication with the Company's shareholders (the "Shareholders"), investors, analysts, financial media and the public, and listen to their valuable opinions and suggestions on the Company. The Company believes that an efficient and transparent information disclosure mechanism enables investors to understand the Group's business, updates and strategies in a timely and accurate manner, so as to reasonably evaluate the company value and enhance investors' trust in the Company, thereby creating maximum value for our Shareholders.

In 2021, we actively communicated with analysts and investors through results announcement press conferences and roadshows, and arranged efficient communication between the management and investors, and received positive feedback from all parties. On one hand, we proactively participated in investor conferences organised by various brokerage firms and strengthened our daily communication with investors. On the other hand, we actively explored communication channels with investors and met with many funds and securities companies. In addition, we also organised and met relevant persons to conduct project site visits and business exchanges to enable investors to have a better understanding of the latest development of the Company's various business segments. During the year, the Company's investor relations and communication activities are summarised as follows:

Mar

2020 annual results presentation for investors
2020 annual results non-deal roadshow series and recommendation activities

Apr

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

Jun

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 office buildings property management 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

Jul

Industrial Securities — Hangzhou Research
Haitong Securities — Logic of value enhancement in real estate property management
Haitong Securities — Red Star Acquisition Project Update

Aug

CICC — Sino-Ocean Service 2021 Interim Results Telephone Conference
Citi — Sino-Ocean Service 2021 Interim Results Telephone Conference
Haitong Securities — Sino-Ocean Service 2021 Interim Results Telephone Conference
Industrial Securities — Sino-Ocean Service 2021 Interim Results Telephone Conference
Guoyuan Securities — Sino-Ocean Service 2021 Interim Results Telephone Conference
First Shanghai — Sino-Ocean Service 2021 Interim Results Telephone Conference
CITIC Securities — Sino-Ocean Service 2021 Interim Results Telephone Conference
Guosen Securities — Sino-Ocean Service 2021 Interim Results Telephone Conference

Sep

Zhixin Cloud Roadshow — Sino-Ocean Service 2021 Interim Results Roadshow
EAS — Beijing Research

Oct

Forum on the Research System and Investment Value of Business Management Enterprise
Haitong Securities — Beijing Research

Nov

Citi — Online Strategic Meeting
CICC online corporate day 2021
Industrial Securities — Strategic Meeting 2022
CICC — Forum for Value-added Services of Sino-Ocean Service

Dec

China Securities — Strategic Meeting
2022 Zhixin & SSE Real Estate & Property Management Forum
Haitong Securities — 2022 Investment Strategic Meeting

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. In the future, we will continue to strive for wider coverage and more referrals to enhance investors' recognition, confidence and loyalty in the Company and to safeguard the interests of our Shareholders. 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 31 December 2021, the Company recorded:

	Highest	Lowest
Price per share of the Company (HKD)	6.88	3.32

As at 31 December 2021, the total number of issued shares of the Company was 1,184,000,000 shares, and the closing price was HKD4.81. Based on the closing price on 31 December 2021, the market capitalisation of the Company was approximately HKD5,695.04 million.

SUSTAINABILITY REPORT

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, Sino-Ocean Service Holding Limited (the "Company", together with its subsidiaries, "Sino-Ocean Service") has been consistently incorporating the sustainability concept into its strategy and day-to-day business management, in a bid to achieve qualitative corporate development.

COMPLIANCE: A SOLID BEDROCK FOR PROGRESS

Sino-Ocean Service discloses relevant information in a true, accurate, complete and timely manner through the Company's official website and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and keeps the said information confidential before disclosure in strict accordance with the requirements of applicable laws and regulations and regulatory documents in genuine fulfillment of its obligations in information disclosure as a listed company, in order to ensure the openness, fairness and impartiality of corporate information disclosure and vigorously protect the legitimate rights and interests of the Company and its investors, especially those of its minority shareholders.

In strict compliance with national and local laws and regulations and with a strong emphasis on the development of integrity in governance in accordance with Communist Party principles and anti-corruption work, the Company requires all employees to receive education on business practice integrity and compliance training each year to enhance their awareness of probity, while confirmed or suspected non-compliance identified during day-to-day internal audit are referred in a timely manner to the monitoring department; meanwhile, suppliers are required to sign an "Undertaking on Integrity and Self-discipline Commitment", to avoid any behavior that violates the integrity requirements.

DEDICATED SERVICE: IN QUEST FOR CUSTOMER SATISFACTION

In persistent commitment to the service philosophy of "being understanding and innovative", Sino-Ocean Service has been providing customers with mid- to high-end exclusive services on the back of technology and informatization as well as diversified intelligent service platforms such as "Yi Butler"(億管家), "Yi Life"(億家生活), "Yi Maintenance"(億家修) and the electronic building automation system in addition to traditional property services. Focused on customer satisfaction and the delivery of a better life driven by digitalization and intelligence, we respond to various demands in an efficient manner and arrange high-quality butlers to safeguard customers' homes with care to create a harmonious and happy community where customers could experience services that are convenient, reliable, satisfactory and pleasantly surprising.

Sino-Ocean Service attaches great importance to customers' views on its service quality as it adopts a proactive approach in addressing customers' feedback, suggestions and complaints on service quality, giving attention to every detail in daily services in the spirit of meticulous craftsmanship. Through the "400 Call Centre" and supervision over the service quality of projects, the Company takes heed of customers' views and acts in swift response, aiming always to exceed expectations subject to compliance with service standards with a view to ensuring customers' appreciation and satisfaction.

In strict compliance with national and local regulations pertaining to information security and privacy protection, Sino-Ocean Service manages customer files in a regulated manner to ensure completeness, accuracy and security of customer information. Specific "terms and conditions on privacy policy" have been formulated in respect of various APPs operated by the Company so that customers could understand their own rights. Sino-Ocean Service strictly prevents any leak of private customer information in a dedicated effort to offer customers an assuring experience in using its services.

GROOMING HIGH-CALIBRE PEOPLE: DRAWING ON THE STRENGTHS OF EMPLOYEES

In adherence to a people-centric philosophy, Sino-Ocean Service consistently makes improvements to its human resources management system and persists in lawful employment, while providing a comprehensive salary and benefits system for employees. In active fulfillment of our responsibility as a corporate citizen, we help employees to realize their own potential by providing a systematic training regime comprising induction training, pre-job training, job skills training, and special job-skill training, while fostering a positive ambience for learning at the Company. We offer a smooth pathway for staff promotion and development and consistently seek to identify staff potential, as we build a valuable career development platform for them. Meanwhile, Sino-Ocean Service cares about the off-duty life of employees and their emotional as well as physical well-being. We encourage staff to spend time to develop healthy hobbies for the benefit of work-life balance. The Company also boosts staff morale and enhances solidarity through the organization of a wide range of staff activities, as it seeks to foster a positive relationship with employees based on equality.

PROTECTING THE LUSH LANDSCAPE: TOGETHER WE BUILD A GREEN HOME

Sino-Ocean Service has implemented a range of energy-saving measures for effective energy conservation and reduction of emission in strict accordance with national and local environmental protection laws and regulations. For example, energy-saving conversion has been carried out at the basement carpark of Ocean Seasons (Shanghai), where the lighting hours are placed under reasonable control through the construction of an Internet of Things (IoT) carpark to enhance its energy utilization rate and reduce lighting maintenance costs. With a strong emphasis on the protection of environmental and natural resources, Sino-Ocean Service protects the healthy and sustainable development of its surrounding ecological environment through measures for the protection of bio-diversity and prevention of soil and water pollution, among others.

Sino-Ocean Service has also actively responded to the call of the national and local domestic waste classification policies with the formulation of the "Sino-Ocean Management System for Household Waste Sorting" to promote the institutionalization, process flow and standardization of the Company's waste sorting project management, with a view to advancing the legal, standardized and efficient development of the Company's waste sorting. Garbage sorting has been facilitated in strict accordance with requirements under the regulations and classified storage has been stringently implemented according to the characteristics of the types of garbage generated, ensuring timely transfer to the Company's garbage transfer station for partitioned storage and corresponding treatment, with a view to fostering a safe and hygienic environment for property owners.

FORGING AHEAD TO CREATE A BETTER FUTURE FOR THE INDUSTRY

The sustainable development of the supply chain is an important guarantee for the continuous development and growth of an enterprise. Sino-Ocean Service has formulated the "Supplier Management System (Trial)" and set up a procurement committee in continuous improvement of its supplier management and rating mechanisms with the establishment of a complete process for supplier admission, review, and evaluation to create an open, fair and impartial environment for positive competition among suppliers. Dynamic, tiered management of suppliers has been implemented, whereby suppliers' environmental and social risks are rigorously screened and cooperation with suppliers that are subject to major quality problems or major safety and environmental hazards in the provision of project work, goods and services are strictly prohibited. Moreover, the use of eco-friendly equipment or materials by suppliers has been included as a criterion for evaluation in the quarterly appraisal of suppliers, and preference is given to the appointment of suppliers who provide eco-friendly products or services. By integrating online and offline end-to-end channel resources, we have been consistently improving and optimizing the process of our service regime and developed models such as offline centralized market and brand presence in community. We reach out directly to the property owners' end with retail, home delivery, domestic helper and security and cleaning services, while optimizing our commodity supply regime on the back of the dominant advantage of our supply-chain platform to meet the enterprise's diverse requirements for customization as we forge a standardized and precise supplier management system. Sino-Ocean Service regards suppliers as partners for the long term as it continuously enhances engagement with suppliers and actively provides different types of training for suppliers to speed up their growth and facilitate a sustainable supply chain, with a view to pursuing co-development and a bright future for the industry in joint effort.

SINCERITY AND DEDICATION: MAKING CONTRIBUTIONS TO SOCIAL HARMONY

In 2021, Sino-Ocean Service continued to devote its effort to community welfare leveraging its advantage in the industry and influence, in a bid to share the achievements of its development with the community by serving its residents and building a harmonious community with united effort.

Caring for senior citizens living in solitude has always been one of the focuses of Sino-Ocean Service. During the year, Sino-Ocean Service hosted a “Chong Yang Festival Charity for the Aged” campaign, as the projects organized medical staffers at community sanitary service stations and volunteers to provide care for the senior services, such as “free haircuts and free medical consultation”, “water and electricity supply check and repair for individual units” and “household cleaning”, to senior citizens living in the residential communities. They also urged the senior citizens to mind their health conditions and reach out to property management promptly if they encountered any difficulties. Sino-Ocean Service was also involved in solid actions for the assistance of rural education, delivering most needed learning tools to the students of Changle Primary School in Dazeshan Town and providing designated financial sponsorships to 5 students. In a major showcase of the Sino-Ocean “Build • Health” concept to the public, Sino-Ocean Service hosted the “Ocean Marathon” event that took off simultaneously across 34 cities nationwide, with approximately 8000 enthusiastic runners participating. Upon completion of required mileage by the participants, the Company donated funds to various public welfare initiatives to bring the benefit of health and charitable donations to the community.

Sino-Ocean Service believes that sustainable development is essential to the development of the Company, and therefore actively implements the concept at all levels of its business, in order to foster a better future for the community as well as the Company. Sino-Ocean Service will separately publish its 2021 Environmental, Social and Governance Report in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The 2021 Environmental, Social and Governance Report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.sinooceanservice.com) within the period stipulated by the Listing Rules.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of Sino-Ocean Service Holding Limited (the "Company" or "Sino-Ocean Service") is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021.

PRINCIPAL OPERATIONS AND SEGMENTAL ANALYSIS OF OPERATIONS

The Company is an investment holding company and the Group is a comprehensive property management service provider with extensive geographic coverage in the People's Republic of China (the "PRC"). The Group manages a portfolio of diversified property types covering mid- to high-end residential properties, commercial properties such as shopping malls and offices and public and other properties, providing customers with comprehensive services along the value chain of property management, including, among others, property management and commercial operational services, community value-added services and value-added services to non-property owners. For details of the business of the Group, please refer to the Management Discussion and Analysis of this annual report.

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

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 95 of this annual report.

During the year under review, a final dividend of RMB0.055 per ordinary share of the Company (the "Share" or the "Shares") (equivalent to HKD0.066 per Share, rounded to the nearest three decimal places) in respect of the financial year ended 31 December 2020 was paid.

The Board proposed to recommend at the forthcoming annual general meeting of the Company (the "AGM") to be held on Wednesday, 25 May 2022 for the payment of a final dividend of RMB0.093 per Share (equivalent to HKD0.114 per Share, rounded to the nearest three decimal places) for the year ended 31 December 2021. The final dividend will be paid in cash in Hong Kong dollars. The relevant exchange rate is the average central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the period from Friday, 11 March 2022 to Thursday, 17 March 2022 (RMB1 = HKD1.2311). The final dividend is subject to the approval of the shareholders of the Company (the "Shareholders") at the AGM. The final dividend will be paid to the Shareholders whose names are standing in the register of members of the Company on Monday, 30 May 2022. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited (the "Share Registrar") at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 30 May 2022.

It is expected that the cheques for dividend payment in relation to the final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or around Tuesday, 14 June 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 May 2022 to Wednesday, 25 May 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar no later than 4:30 p.m. on Thursday, 19 May 2022.

DIVIDEND POLICY

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

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

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

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in note 26 and note 35(a) to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2021 amounted to RMB1,554.0 million.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 31 December 2021. Details of the Company's share capital are set out in note 25 to the consolidated financial statements of this annual report.

FIXED ASSETS

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

BORROWINGS

As at 31 December 2021, the Group had no borrowings.

DONATIONS

For the year ended 31 December 2021, the Group's donations for charity and other purposes were approximately RMB0.31 million.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the Chairman's Statement, "Business Review" and "Future Development Plans and Outlook" under the Management Discussion and Analysis of this annual report respectively. The description of possible risks and uncertainties that the Group may be facing are set out in note 3 to the consolidated financial statements and "Other Information" under the Management Discussion and Analysis of this annual report. A discussion and analysis of the Group's performance and financial position during the year including analysis using financial key performance indicators is set out in the Group's Financial and Operational Summary on pages 10 to 11 of this annual report and in the section headed "Financial Review" under the Management Discussion and Analysis of this annual report.

ENVIRONMENTAL POLICY AND OTHER COMPLIANCE

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

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

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

For more details, please refer to the paragraphs headed "Protecting the Lush Landscape: Together We Build a Green Home" in the section headed "Sustainability Report" in this annual report.

STAKEHOLDER RELATIONS

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

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

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

The awards and recognitions we received in 2021 include "2021 TOP 100 Property Management Companies in China" (Ranked 12th), "2021 China Leading Property Management Companies in terms of High-end commercial office building", "2021 China Specialized Operational Leading Brand of Property Service Companies" and "2021 Excellent Platform Brand of Property Service Companies" issued by China Index Academy; "2021 Listed Company of China Property Management Service" issued by E-house China R&D Institute; "2021 Influential Property Management Companies (TOP30)" issued by Guandian Index Academy; and "2021 TOP30 Property Management Companies in China in terms of Comprehensive Strengths", "2021 TOP10 Property Management Companies (Commercial Property Management Services) in China", "2021 TOP10 Property Management Companies in China in terms of Revenue Generating Capacity per sq.m." and "2021 Model Property Management Companies (Community Value-added Service Operation) in China" issued by Yihan Jiahe Family.

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

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

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

Please refer to the 2021 Environmental, Social and Governance Report of the Company, which will be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company (www.sinooceanservice.com) within the period as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), for further details.

INVESTOR RELATIONS

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

In 2021, we actively communicated with analysts and investors through results announcement press conferences and roadshows, and arranged efficient communication between the management and investors, and received positive feedback from all parties. On one hand, we proactively participated in investor conferences organised by various brokerage firms and strengthened our daily communication with investors. On the other hand, we actively explored communication channels with investors and met with many funds and securities companies. In addition, we also organised and met relevant persons to conduct project site visits and business exchanges to enable investors to have a better understanding of the latest development of the Company's various business segments.

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. In the future, we will continue to strive for wider coverage and more referrals to enhance investors' recognition, confidence and loyalty in the Company and to safeguard the interests of our Shareholders. 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.

Change of Company Logo

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

The Company is also committed to complying with the following key laws and regulations in Hong Kong and the Cayman Islands, including but not limited to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands and has been working with external professionals to develop internal guidelines and educate its employees to ensure that the Company and its employees will from time to time adopt business practices that comply with relevant laws.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 72 to 88 of this annual report.

REMUNERATION POLICY AND RETIREMENT BENEFITS OF THE GROUP

A reasonable and comprehensive remuneration package is one of the measures in attracting, retaining and motivating experienced people of high calibre. The Group's remuneration policy has been determined by reference, including but not limited to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level of the same industry in the market.

The Group is in the process of launching a common market long-term incentive scheme to promote sustainable development and to uphold long-term interests of the Shareholders.

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

BASIS OF DETERMINING REMUNERATION TO DIRECTORS

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

FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 164 of this annual report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

DIRECTORS

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

Name	Position
Mr. YANG Deyong	Joint Chairman, Chief Executive Officer and Executive Director
Ms. ZHU Geying	Executive Director and Chief Operating Officer (re-designated from Chief Financial Officer since 16 August 2021)
Mr. CUI Hongjie	Joint Chairman and Non-executive Director
Mr. ZHU Xiaoxing	Vice Chairman and Non-executive Director
Dr. GUO Jie	Independent Non-executive Director
Dr. XUE Jun	Independent Non-executive Director
Mr. ZHU Lin	Independent Non-executive Director

Brief biographical details of the Directors and senior management are set out on pages 44 to 47 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The term of service as a Director is subject to retirement by rotation and re-election in accordance with the provisions of the Articles. Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for a term commencing from 25 May 2021 to the date of the AGM to be held in 2022 (both days inclusive) which is renewable subject to retirement by rotation and re-election in accordance with the provisions of the Articles.

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

PERMITTED INDEMNITY

The Articles provides that each Director shall be entitled to be indemnified out of the assets and profits of the Company against any action, loss or damage which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers of the Group which was in force during the year and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions and Related Party Transactions" in this report and note 34 to the consolidated financial statements of this annual report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director or any entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions and Related Party Transactions" in this report, the Management Discussion and Analysis of this annual report and note 34 to the consolidated financial statements of this annual report, no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and the controlling Shareholder or any of its subsidiaries was the other party subsisted at the end of the financial year or at any time during the financial year under review.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, the Company did not enter into any equity-linked agreement.

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

As at 31 December 2021, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company's associated corporations (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 as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Long Position in the Shares and Underlying Shares of the Associated Corporation

Name of Directors	Name of associated corporation	Nature of interest	No. of ordinary shares of associated corporation held	No. of underlying shares of associated corporation comprised in share options	Total	Approximate percentage of total issued share capital of associated corporation
				(note (i))		(note (ii))
Mr. YANG Deyong	Sino-Ocean	Beneficial owner	118,777	2,000,000	2,118,777	0.028%
Ms. ZHU Geying	Sino-Ocean	Beneficial owner	38,531	–	38,531	0.001%
Mr. CUI Hongjie	Sino-Ocean	Beneficial owner	369,571	2,000,000	2,369,571	0.031%
Mr. ZHU Xiaoxing	Sino-Ocean	Beneficial owner	249	1,500,000	1,500,249	0.020%

Notes:

(i) The share options were granted by Sino-Ocean on 24 August 2017 under its share option scheme to subscribe for the corresponding number of shares of Sino-Ocean at the exercise price of HKD4.70 per share, exercisable during the exercise period from 24 August 2018 to 23 August 2022.

(ii) Calculated based on Sino-Ocean's total number of issued ordinary shares of 7,616,095,657 as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executive of the Company had any interest or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (with 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 which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2021, the Company had been notified of the following Shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and chief executive of the Company:

Name of Shareholders	Capacity	Long/short position	No. of Shares held	Approximate percentage of the Company's issued share capital (note (iii))
Shine Wind Development Limited ("Shine Wind")	Beneficial owner	Long position	800,000,000	67.57%
	Interest in controlled corporation (note (i))	Long position	16,967,500	1.43%
Sino-Ocean	Interest in controlled corporation (note (ii))	Long position	816,967,500	69.00%

Notes:

(i) 16,967,500 Shares were held by a company which Shine Wind was entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings and therefore, Shine Wind was deemed to be interested in these Shares by virtue of the SFO.

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

(iii) Calculated based on the Company's total number of issued Shares of 1,184,000,000 as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, no person or corporation had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company, or as otherwise notified to the Company and the Stock Exchange.

DEED OF NON-COMPETITION

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

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

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

COMPETING INTERESTS

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were approximately 20.13% of the Group's total revenue and approximately 11.59% of the Group's total purchase respectively.

For the year ended 31 December 2021, the aggregate sales attributable to the Group's largest customer was approximately 14.68% of the Group's total revenue.

For the year ended 31 December 2021, the aggregate purchases attributable to the Group's largest supplier was approximately 5.65% of the Group's total purchase.

Apart from Sino-Ocean and its subsidiaries, during the year ended 31 December 2021, as far as the Directors are aware, neither the Directors, their close associates, nor the Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in the five largest customers and suppliers of the Group.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the year under review, the Group had conducted the following continuing connected transactions, details of which are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules:

Continuing Connected Transactions

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

Fully Exempt Continuing Connected Transactions

1. Trademark Licensing Agreement

On 26 August 2020, the Company entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with Sino-Ocean, Sino-Ocean Holding Group (China) Limited and Sino-Ocean Land (Hong Kong) Limited (both are indirect wholly-owned subsidiaries of Sino-Ocean) (collectively, the "Licensors") pursuant to which the Licensors agreed to grant a non-exclusive and non-transferrable license to the Group to use certain trademarks registered in their names for nominal consideration of HKD1. For details of the trademarks registered in the names of the Group and the trademarks licensed to the Group which are material to our businesses, please see the sections headed "Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights of our Group" and "Statutory and General Information — B. Further Information about our Business — 3. Intellectual Property Rights Licensed to our Group" in the Prospectus. The Trademark Licensing Agreement shall be of a perpetual term commencing from 26 August 2020. The Trademark Licensing Agreement (i) shall automatically terminate in the event of and upon the Company ceasing to be accounted for as a subsidiary of Sino-Ocean and the financial results ceasing to be consolidated in the consolidated accounts of Sino-Ocean; and (ii) may be terminated by written consent of the parties thereto. In the event of and upon any Licensor ceasing to be the registered owner of any of the relevant trademarks, such trademark(s) shall be deemed to be excluded from the Trademark Licensing Agreement. Our Directors and the joint sponsors in connection with the global offering of the Company are of the view that entering into the Trademark Licensing Agreement with a duration of over three years is in line with the normal business practice for agreements of this type as comparable contractual arrangements have similar long-term arrangements, and our Directors believe that such long duration will promote the stability of operations of the Group and is beneficial to the Shareholders as a whole.

Details of the continuing connected transactions contemplated under the Trademark Licensing Agreement have been disclosed in the section headed "Connected Transactions — Fully Exempt Continuing Connected Transactions — 1. Trademark Licensing Agreement" in the Prospectus.

2. Master Administrative Services Agreement

On 27 November 2020, the Company entered into an agreement (the "Master Administrative Services Agreement") with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding the Group)) pursuant to which the Sino-Ocean Connected Persons agreed to provide administrative services including but not limited to secretarial (including the company secretarial services), legal and staff training services to the Group on a cost basis. The Master Administrative Services Agreement took effect upon 17 December 2020 (the "Listing Date") and will expire on 31 December 2022, and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Administrative Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Details of the continuing connected transactions contemplated under the Master Administrative Services Agreement have been disclosed in the section headed "Connected Transactions — Fully Exempt Continuing Connected Transactions — 2. Master Administrative Services Agreement" in the Prospectus.

Partially Exempt Continuing Connected Transactions

3. Master Operational Support Services Agreement

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

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

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

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

For the year ended 31 December 2021, the transaction amount of the above transaction was RMB8,531,000 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the Master Operational Support Services Agreement have been disclosed in the section headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 3. Master Operational Support Services Agreement" in the Prospectus.

4. Master Properties Leasing Agreement

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

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

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

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

For the year ended 31 December 2021, the transaction amount of the above transaction was RMB7,542,000 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the Master Properties Leasing Agreement have been disclosed in the section headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 4. Master Properties Leasing Agreement" in the Prospectus.

Non-exempt Continuing Connected Transactions

5. Master Property Management Services Agreement

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

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

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

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

For the year ended 31 December 2021, the transaction amount of the above transaction was RMB210,225,000 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the Master Property Management Services Agreement have been disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 5. Master Property Management Services Agreement" in the Prospectus.

6. Master Pre-delivery Services Agreement

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

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

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

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

For the year ended 31 December 2021, the transaction amount of the above transaction was RMB164,544,000 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the Master Pre-delivery Services Agreement have been disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 6. Master Pre-delivery Services Agreement" in the Prospectus.

7. Master Consultancy and Other Value-added Services Agreement

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

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

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

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

For the year ended 31 December 2021, the transaction amount of the above transaction was RMB267,801,000 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the Master Consultancy and Other Value-added Services Agreement have been disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 7. Master Consultancy and Other Value-added Services Agreement" in the Prospectus.

8. Master Commercial Operational Services Agreement

On 14 June 2021, the Company (on behalf of each member of the Group) entered into the master commercial operational services agreement (the "Master Commercial Operational Services Agreement") with Sino-Ocean (on behalf of each Sino-Ocean Connected Person), 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 commercial operational services 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 Master Commercial Operational Services Agreement took effect from 6 August 2021 following the passing of the ordinary resolution approving the transactions contemplated under the Master Commercial Operational Services Agreement and will expire on 31 December 2023. The Master Commercial Operational Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees payable by the Sino-Ocean Connected Persons to the Group under the Master Commercial Operational Services Agreement and the specific agreements will be determined on arm's length basis with reference to (i) the nature size, location and branding of the relevant properties; (ii) the scope of the commercial operational services; (iii) the expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the commercial operational services; and (iv) available information in relation to the fees charged by other commercial operational service providers for similar services in respect of similar types of properties in the market. The terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favourable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of commercial operational services, where applicable.

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

	Annual caps (RMB'000)		
	For the year ended 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
Services amount	100,000	220,000	300,000

For the year ended 31 December 2021, the transaction amount of the above transaction was RMB42,888,000 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the Master Commercial Operational Services Agreement have been disclosed in the announcement of the Company dated 14 June 2021 and the circular of the Company dated 21 July 2021.

9. Exclusive Parking Space Sales Agency Services Framework Agreement

On 30 December 2021, the Company (on behalf of each member of the Group) entered into the exclusive parking space sales agency services framework agreement (the "Exclusive Parking Space Sales Agency Services Framework Agreement") with Sino-Ocean (on behalf of each Sino-Ocean Connected Person), pursuant to which Sino-Ocean (on behalf of each Sino-Ocean Connected Person) has agreed to grant an exclusive sales right to the Group and the Company (on behalf of each member of the Group) has agreed to provide exclusive sales agency services with respect to the target parking spaces to the Sino-Ocean Connected Persons. The Exclusive Parking Space Sales Agency Services Framework Agreement took effect from 30 December 2021 and will expire on 31 December 2022 and is renewable as the parties may mutually agree subject to the applicable requirements under the Listing Rules.

Pursuant to the Exclusive Parking Space Sales Agency Services Framework Agreement, the Group shall from time to time pay the relevant Sino-Ocean Connected Persons fully refundable deposits by installments according to the payment schedule to be determined and agreed with reference to anticipated sales progress for the relevant target parking spaces and to be set out in specific agreements for obtaining the exclusive sales right in respect of the target parking spaces, with the amount of which determined with reference to the base price for the sale of the relevant target parking spaces, and the Group shall charge the difference between the actual sales price paid by the purchasers of the target parking spaces and the relevant base price as fees for providing exclusive sales agency services with respect to the target parking spaces.

The annual caps in respect of the deposits payable under the Exclusive Parking Space Sales Agency Services Framework Agreement are as follows:

	Annual caps (RMB'000)	
	For the year ended 31 December 2021	For the year ending 31 December 2022
Deposits	100,000	100,000

For the year ended 31 December 2021, the deposits paid and payable under the above transaction was RMB84,682,000 which did not exceed its annual cap.

The provision of sales agency services under the Exclusive Parking Space Sales Agency Services Framework Agreement shall continue to be transactions pursuant to the Master Consultancy and Other Value-added Services Agreement, and the sales agency service fees payable by the Sino-Ocean Connected Persons to the Group under the Exclusive Parking Space Sales Agency Services Framework Agreement shall be subject to the relevant annual caps under the Master Consultancy and Other Value-added Services Agreement as disclosed above.

Details of the continuing connected transactions contemplated under the Exclusive Parking Space Sales Agency Services Framework Agreement have been disclosed in the announcement of the Company dated 30 December 2021 and the supplemental announcement of the Company dated 20 January 2022.

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

In accordance with Rule 14A.56 of the Listing Rules, the auditors of the Company have provided a letter to the Board, confirming that:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the relevant annual cap as set by the Company for the year ended 31 December 2021.

Related Party Transactions

A summary of significant related party transactions entered into by the Group during the year under review is contained in note 34 to the consolidated financial statements of this annual report. Save as disclosed above, the related party transactions described in the aforementioned note do not fall within the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the continuing connected transactions conducted by the Group during the year under review.

CHANGE IN DIRECTORS' INFORMATION

There is no change in the information of Directors subsequent to the date of the interim report of the Company for the six months ended 30 June 2021 and up to 31 March 2022 (being the latest practicable date prior to the issue of this annual report) which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUFFICIENT PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment, at the forthcoming AGM. Ordinary resolution for the re-appointment of the auditors and fixing the remuneration of the auditors will be proposed at the forthcoming AGM for the Shareholders' approval.

PRE-EMPTIVE RIGHTS

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

CONSULTING PROFESSIONAL TAX ADVISERS

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

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2021

Save as disclosed in note 37 to the consolidated financial statements of this annual report, there is no material subsequent event after the balance sheet date.

By order of the Board

YANG Deyong

Joint Chairman

Hong Kong, 18 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of Sino-Ocean Service Holding Limited (the "Company").

COMMITMENT TO CORPORATE GOVERNANCE

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

Corporate Governance Practices

In the opinion of the Board, the Company had applied the applicable principles and complied with the applicable 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 year ended 31 December 2021, except for the deviations as disclosed herein.

The positions of the joint chairman of the Board (the "Joint Chairmen") 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 ensures the effectiveness of the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. The Joint Chairmen are also responsible for formulating the overall strategies and policies of the Company and monitoring their implementation.

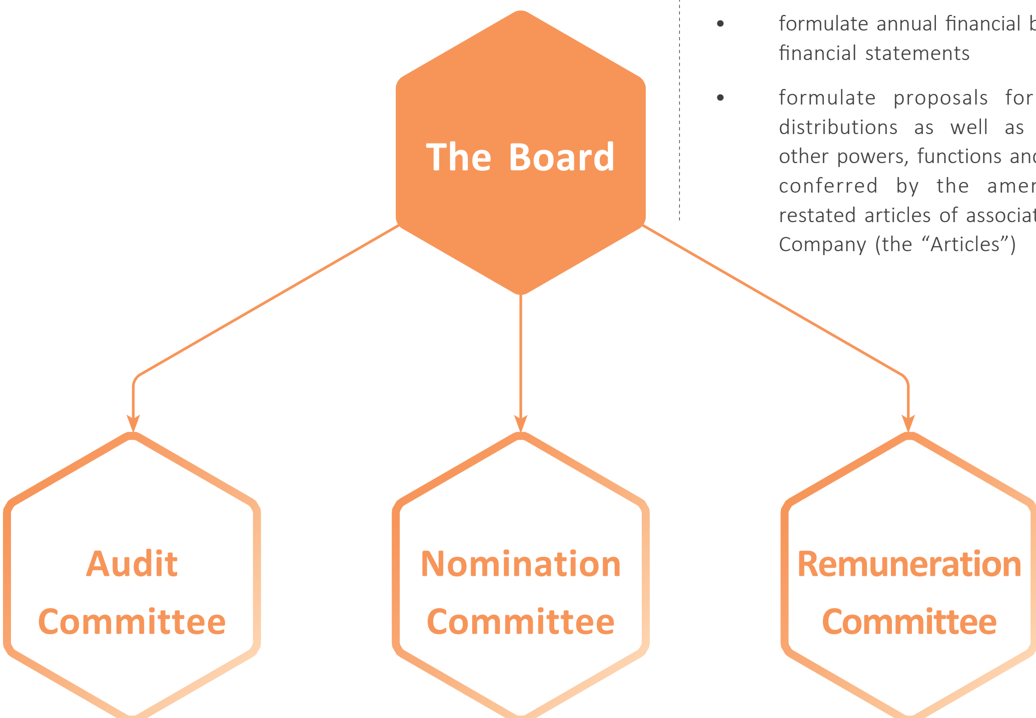
The code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, Mr. YANG Deyong's in-depth knowledge of the operations of the Group and of the 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. The Board also considers that as all major decisions are made in consultation with the Board and the senior management of the Company, there is sufficient balance of power with the joint-chairman structure, and believes that this structure is in the best interest of the Company. The Board will review the current structure from time to time and will make any necessary arrangement as appropriate.

Corporate Governance Structure

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

Major duties of the Board:

- convene general meetings
- implement the resolutions passed at the general meetings
- determine business and investment plans
- formulate annual financial budget and financial statements
- formulate proposals for dividend distributions as well as exercising other powers, functions and duties as conferred by the amended and restated articles of association of the Company (the "Articles")



Major duties:

- review and supervise the financial reporting process, financial information and risk management and internal control systems
- oversee the audit process and relationship with the external auditors
- review and oversee the existing and potential risks
- perform other duties and responsibilities assigned by the Board

Major duties:

- make recommendations to the Board on the appointment, re-appointment and removal of the Directors and senior management
- review the Board diversity and its policy and make recommendations

Major duties:

- establish and review the policy and structure of the remuneration for the Directors and senior management
- make recommendations to the Board on employee benefit arrangements

Directors' and Relevant Employees' Securities Transactions

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

The Company has also set out a guideline regarding securities transactions by the relevant employees (the "Relevant Employees") who, because of their roles and functions in the Company or its subsidiaries, are likely to be in possession of inside information. All the Relevant Employees are reminded of the necessity for compliance with the guideline regularly.

THE BOARD

Responsibilities

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

During the year under review, the Board has considered, assessed, reviewed, approved and/or formulated the matters summarized below, including but not limited to:

- annual budget, management results and performance update against annual budget, together with business reports from the management;
- interim results announcement and interim report for the six months ended 30 June 2021;
- final results announcement and annual report for the year ended 31 December 2020;
- recommendation of payment of final dividends for the year ended 31 December 2020;
- the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function;
- environmental, social and governance ("ESG") report for the year ended 31 December 2020;
- staff incentive framework;
- corporate governance matters; and
- continuing connected transactions relating to agreements with Sino-Ocean Group Holding Limited ("Sino-Ocean Group") and its associates.

The valuable recommendations contributed by each Board committee are highly respected by the Board and the Board takes proactive actions to put the recommendations in place.

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

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

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

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

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

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

Board Composition

As at 31 March 2022, being the latest practicable date prior to the issue of this annual report, the Board comprised seven Directors, including two executive Directors, Mr. YANG Deyong (Joint Chairman) and Ms. ZHU Geying; two non-executive Directors (the "NEDs"), Mr. CUI Hongjie (Joint Chairman) and Mr. ZHU Xiaoxing; and three independent non-executive Directors (the "INEDs"), Dr. GUO Jie, Dr. XUE Jun and Mr. ZHU Lin. An updated list of the Directors and their roles and functions is published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Composition of the Board is also disclosed, and the INEDs are identified, in all corporate communications to the Shareholders.

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

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

(i) Joint Chairman and Chief Executive Officer

As disclosed in the section headed "Corporate Governance Practices" in this report, the responsibilities of the Joint Chairman and the Chief Executive Officer are vested in one person, Mr. YANG Deyong. However, as (i) all major decisions are made in consultation with the Board and the senior management of the Company; (ii) there is a wide composition of the Board which comprise of three INEDs and two NEDs; and (iii) the Company has established a joint-chairman structure and appointed Mr. CUI Hongjie as a Joint Chairman of the Board, the Board considers that there is sufficient balance of power and that the current arrangement maintains a strong management position and also facilitates the ordinary business activities of the Company. The Board will review the current structure from time to time and make any necessary arrangements as appropriate.

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

The functions of the NEDs and the INEDs should include:

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

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

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

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

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

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

Each of Mr. CUI Hongjie and Mr. ZHU Xiaoxing, both are the NEDs, has agreed to waive the Director's fees for the year ended 31 December 2021.

Appointment and Re-election of Directors

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

Pursuant to the letters of appointment dated 25 May 2021, all NEDs and INEDs are appointed for a term commencing from 25 May 2021 to the date of the annual general meeting of the Company ("AGM") to be held in 2022 (both days inclusive), which is renewable subject to his re-appointment at the AGM in accordance with the Articles.

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

Meetings

Code provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. The Company has adopted the practice of holding Board meetings regularly. Additional meetings will be arranged if and when required. During the year under review, the Board convened six meetings. For the summary of work during the year, please refer to the paragraphs headed "Responsibilities" under the section headed "The Board" in this report.

The attendance of each Director at the Board meetings and general meetings of the Company held during the year under review is set out in the following table:

	Number of meetings attended/eligible to attend		
Directors	Board meeting	AGM	Extraordinary general meeting ("EGM")
Mr. YANG Deyong	6/6	1/1	1/1
Ms. ZHU Geying	6/6	1/1	1/1
Mr. CUI Hongjie	6/6	0/1	1/1
Mr. ZHU Xiaoxing	6/6	0/1	1/1
Dr. GUO Jie	6/6	0/1	1/1
Dr. XUE Jun	6/6	0/1	1/1
Mr. ZHU Lin	6/6	1/1	1/1

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

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

Minutes of Board meetings and meetings of Board committees with details of the matters considered and decisions reached are kept by the company secretary of the Company (the "Company Secretary") and are open for inspection with a reasonable notice by any Director. All Directors and committee members of the Board committees are urged to attend the Board meetings and Board committee meetings in person. For the Directors and committee members who are unable to attend the meeting in person, participation through electronic means will be arranged.

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

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

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

During the year under review, owing to the constantly evolving COVID-19 pandemic situation, certain Board members could not attend the AGM. However, they had expressed their concern on the questions raised at the AGM.

Training for Directors

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

There are also arrangements in place for providing continuing briefing and professional development to Directors, whenever necessary, in order to ensure that they have a proper understanding of the Company's operations and business. To assist their continuous professional development, the Company Secretary recommends relevant seminars and courses for the Directors to attend. During the year under review, the Company has organized a training related to the disciplinary powers and sanctions under the Listing Rules to the Board.

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

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

Directors	Type of trainings
Mr. YANG Deyong	A/C
Ms. ZHU Geying	A/C
Mr. CUI Hongjie	A/C
Mr. ZHU Xiaoxing	A/C
Dr. GUO Jie	A/C
Dr. XUE Jun	A/C
Mr. ZHU Lin	A/C

Remarks:

A: attending seminars, conferences and/or forums

B: giving talk at seminars or forums

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

Directors' and Officers' Liability Insurance and Indemnity

The Articles provides that every Director and other officers of the Company are entitled to be indemnified out of the assets and profits of the Company against any action, loss or damage which he/she may sustain or incur in or about the execution of duties of his/her office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to any of the said persons.

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

BOARD COMMITTEES

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

The attendance of each Director at the Board Committee meetings (where applicable) during the year under review is set out in the following table:

	Number of meetings attended/eligible to attend		
Directors	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting
Mr. YANG Deyong	N/A	2/2	2/2
Mr. CUI Hongjie	3/3	N/A	2/2
Mr. ZHU Xiaoxing	3/3	N/A	N/A
Dr. GUO Jie	3/3	2/2	2/2
Dr. XUE Jun	3/3	2/2	2/2
Mr. ZHU Lin	3/3	N/A	2/2

Audit Committee

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

The main duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the 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 the Group and perform other duties and responsibilities as assigned by the Board. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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

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

(i) review of the audit plan of the external auditors and discussion with them about the nature and scope of the audit;

(ii) review of the interim and annual consolidated financial statements;

(iii) review of the continuing connected transactions conducted by the Group during the year;

(iv) discussion with the external auditors on the issues of, including but not limited to the impact of national macro policies to properties management companies, currency risk, financing structure and progress of various projects;

(v) review of the overall financial position of the Group and the adequacy of the provision for material liabilities and impairment of assets;

(vi) review of the adequacy and effectiveness of the risk management and internal control systems including review of accounting, financial reporting, and internal audit functions and then giving of recommendation to the Board for improvement of internal control, credit control and risk management;

(vii) review of the application of the relevant General Accepted Accounting Principles and recommendation to the Board for the adoption of accounting policies;

(viii) meeting with the external auditors in the absence of the executive Directors and senior management to discuss issues regarding audit;

(ix) review and approval of the remuneration and terms of engagement of external auditors;

(x) review of the external auditors' independence and objectivity and the effectiveness of audit process according to applicable standards as well as consideration of the re-appointment of the external auditors; and

(xi) review of the engagement to perform non-audit service(s).

Remuneration Committee

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

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 the 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 all Directors and senior management, making recommendations to the Board on the remuneration package and incentive payment of executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and making recommendations to the Board on the remuneration of the NEDs and INEDs. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

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

(i) review and approval of the report of the labour cost for the year ended 31 December 2020 and the budget of the overall cost for the year ended 31 December 2021;

(ii) review and approval of the report of remuneration packages for executive Directors and senior management for the year ended 31 December 2021;

(iii) recommendation to the Board on the remuneration package of executive Directors and senior management and the director's fee of the NEDs and INEDs; and

(iv) review and approval of the adjustment in the weight of evaluation indicators and the evaluation rules for the Board.

The remuneration of Directors is determined with reference to a number of factors, including but not limited to, their experience, qualifications, duties and responsibilities involved in the Company and the prevailing market conditions. Details of emoluments of Directors for the year under review are set out in note 36 to the consolidated financial statements of this annual report. The emoluments paid to senior management during the year under review were within the following band:

	Number of senior management
Above RMB1 million to RMB2 million	4

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 the Board on the appointment, re-appointment and removal of the Directors and senior management and to review the Board diversity and its policy and make recommendations. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held two meetings during the year under review. The tasks, among others, performed by the Nomination Committee during the year under review included:

(i) review of and recommendation on the structure, size, composition and diversity of the Board and/or its committees;

(ii) review of the need for searching potential candidate for nomination as director in accordance with the nomination policy of the Company (the "Nomination Policy"), with due regard for the benefits of diversity, as set out under the board diversity policy of the Company (the "Board Diversity Policy") and then make recommendation to the Board;

(iii) consideration of re-designation of the chief financial officer of the Company;

(iv) assessment of the independence of INEDs;

(v) consideration of the mix of the Board, qualification, skills and experience of Directors to be retired and entitled to be re-elected at the AGM and recommendation to the Board on the re-appointment of Directors pursuant to the Articles; and

(vi) review of the Board Diversity Policy.

Summary of Nomination Policy under Nomination Committee

The purpose of the Nomination Policy is to set out the selection criteria and procedure for the selection, appointment and re-appointment of Directors. In assessing the suitability of a proposed candidate, the factors which would be used as reference by the Nomination Committee include but not limited to the following:

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

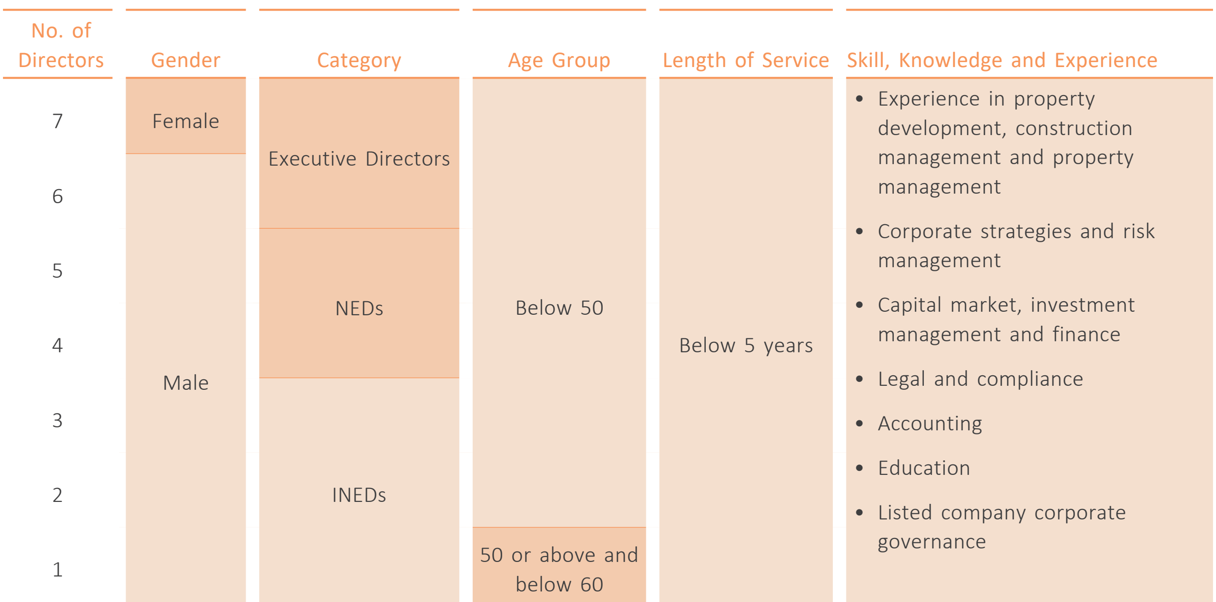
Member(s) of the Nomination Committee shall convene a meeting of the Nomination Committee and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated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

Summary of Board Diversity Policy under Nomination Committee

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors, in terms of, including but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge, industry or other experience, expertise, independence and length of service. These differences will be taken into account in determining the optimum composition of the Board. The Company will also take into account factors based on its business model and specific needs from time to time. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

The Nomination Committee will review annually on the composition of the Board under diversified perspectives according to the Board Diversity Policy, and monitor the implementation of this policy to ensure its effectiveness. The Board is characterised by significant diversity, whether in terms of gender, age, professional background and skills.

An analysis of the Board composition as of 31 December 2021 is set out in the following chart:



COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. Moreover, the Company Secretary is responsible for keeping all Directors updated on the Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company. The Company Secretary reports to the Board through the Joint Chairmen whilst all Directors have access to the advice and services of the Company Secretary.

The Company Secretary possesses professional qualification and extensive experience in discharging his duties as the Company Secretary and he is an employee of the Company. During the year under review, the Company Secretary has taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

ACCOUNTABILITY AND AUDIT

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

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2021 is set out in the Independent Auditor's Report on pages 89 to 94 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

Duties of the Board and the management

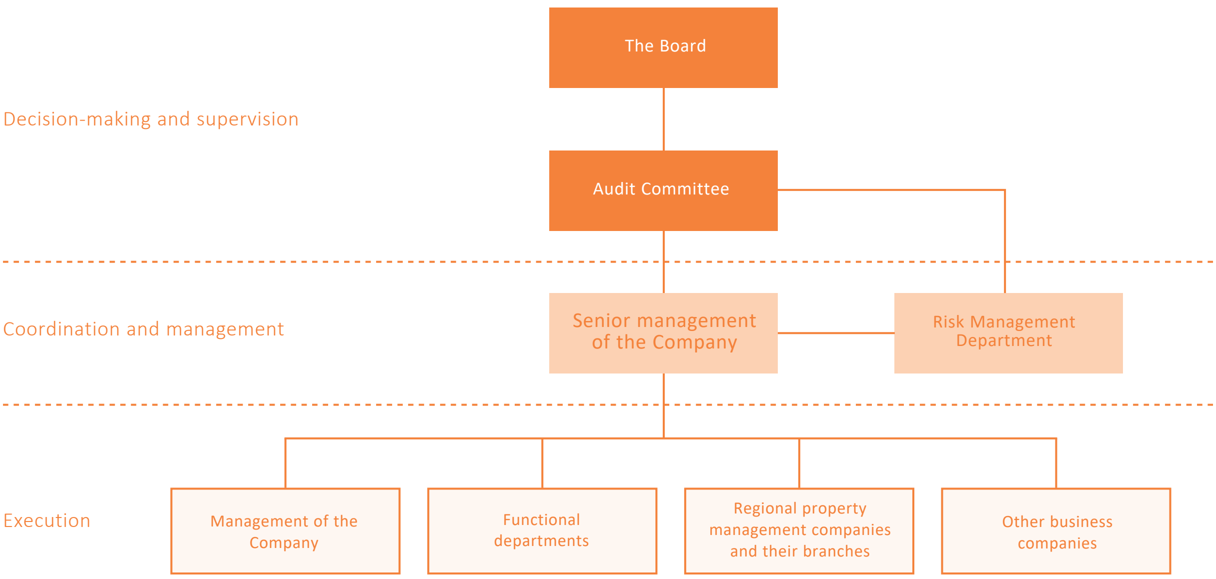
The Board reviews the Group's risk management and internal control systems annually which covers, among other things, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions and the effectiveness of the Group's risk management and internal control systems. 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.

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.

The Board acknowledges that it is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board, through the Audit Committee and the Risk Management Department, conducted the review of the risk management and internal control systems of the Group for the year ended 31 December 2021 and considered them remain effective and adequate.

The Group has implemented the policy on price-sensitive inside information (the "Inside Information Policy") in order to ensure insider information is identified, handled and disseminated in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Inside Information Policy also provides the proper procedures and prohibition of handling price sensitive inside information. Price-sensitive inside information shall be reported to the Board affair staff member and the Company Secretary, and the Company Secretary shall be responsible for the disclosure of price-sensitive inside information. All employees are prohibited all times from dealing in the securities of the Company when they are in possession of unpublished inside information. Further, employees are subject to a 60-day blackout period prior to the release of the Company's annual results and a 30-day blackout period prior to the release of interim results and not allowed to release price-sensitive information to media, investors and financial institutions.

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.

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 (including staff, suppliers, customers and business partners) 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 and reported to the Audit Committee, the investigation results will be discussed and sanction will be imposed.

With a view to ensuring the strength of company management, deal with various violations of laws and disciplines in accordance with laws and regulations, and prevent various corruption and fraud problems, the Group has implemented the policy on reporting and complaints. The policy provides channels for employees and third parties to report any corruption and fraud problems and also provides proper procedures for the Risk Management Department to handle any suspected cases.

INDEPENDENT AUDITOR

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

Apart from the statutory audit of the annual consolidated financial statements, PwC was also engaged to perform non-audit services including but not limited to a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2021.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PwC for the year ended 31 December 2021 are set out in the table below:

Service rendered	RMB ('000)
Audit services:	
Annual audit	2,600
Non-audit services:	
Review of interim financial information	920
Other services	220

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's amended and restated memorandum and articles of association during the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Sino-Ocean Service Holding Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 95 to 163, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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KEY AUDIT MATTERS

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

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

- Loss allowance assessment of trade and note receivables
- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Loss allowance assessment of trade and note receivables Refer to Note 4(a) "Critical accounting estimates and judgements" and Note 22 "Trade and note receivables" to the consolidated financial statements. As at 31 December 2021, the gross amount of trade and note receivables of the Group amounted to approximately RMB566,020,000, which represented approximately 15% of the total assets of the Group. Management has assessed the expected credit losses of trade and note receivables and recognised provision for loss allowance of approximately RMB42,329,000 on these trade and note receivables as of 31 December 2021. Provision for loss allowance of trade and note receivables was made based on an assessment of the lifetime expected credit losses, including an assessment of the risk of default and the expected loss rate. In performing the assessment, management considered the credit quality of debtors by considering their historical observed default rates, financial position, ageing profile of receivable balances, and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period.	We have performed the following procedures to address this key audit matter: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood, evaluated and tested the key controls relating to management's assessment on the expected credit losses of trade and note receivables; • Evaluated the outcome of prior period assessment of provision for loss allowance of trade and note receivables to assess the effectiveness of management's estimation process by comparing the expected credit losses in the prior year to the actual collection performance of debtors in the current year; • Evaluated the appropriateness of the credit loss provisioning methodology and the reasonableness of key assumptions adopted by management with the involvement of our internal valuation specialists.

Key Audit Matter

We focused on auditing the loss allowance assessment of trade and note receivables because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the loss allowance assessment of trade and note receivables is considered significant due to the subjectivity of significant assumptions and estimates used.

How our audit addressed the Key Audit Matter

- Obtained management's assessment on the expected credit losses of trade and note receivables, assessed its reasonableness by considering financial position of debtors, the historical settlement pattern of debtors and ageing profile of receivable balances, evaluated adjustment made to the historical loss rates based on current economic conditions and forward-looking information by reference to our research on related industry, market and macroeconomic data;
- Tested, on a sample basis, the accuracy of the ageing analysis of trade and note receivables prepared by management to credit terms in sales contracts, billings/invoices, cash receipts and related supporting documents;
- Checked the mathematical accuracy of the calculation of the loss allowance of trade and note receivables; and
- Tested, on a sample basis, the subsequent settlement of trade and note receivables to cash receipts and the related supporting documents.

Based on the above, we considered that the significant judgments and estimates made by management in relation to the provision for loss allowance of trade and note receivables were supportable by the evidence obtained and procedures performed.

Key Audit Matter

Impairment assessment of goodwill

Refer to Note 4(b) "Critical accounting estimates and judgements" and Note 18 "Intangible assets" to the consolidated financial statements.

As at 31 December 2021, the Group has recognised goodwill of approximately RMB92,632,000 as arisen from the Group's acquisitions of property management subsidiaries (the "subsidiaries").

For the purpose of impairment assessment, management has allocated the goodwill to respective subsidiaries considering that each of these subsidiaries is operating and generating cash flows independently and hence was considered as an individual cash-generating unit. Management assessed the recoverable amounts of major subsidiaries with the assistance of an independent external valuer. The recoverable amounts were determined based on a value-in-use ("VIU") calculations. VIU is evaluated by discounting the cash flow projections of the relevant subsidiaries based on the approved financial budgets of the respective subsidiaries. The key assumptions as adopted in the impairment assessment mainly including (i) annual revenue growth rate, (ii) gross margin; and (iii) discount rate.

We focused on auditing the impairment assessment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to subjectivity of significant assumptions and estimates used.

How our audit addressed the Key Audit Matter

We have performed the following procedures to address this key audit matter:

- Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- Evaluated the competency, capabilities and objectivity of the independent external valuer by checking the valuer's related qualification and credentials in similar impairment assessment projects;
- Evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation experts;
- Assessed the reasonableness of the key assumptions adopted by management by (i) assessing the discount rates by reference to comparable market data; (ii) evaluating the reasonableness of the key assumptions used in the cash flow forecasts, including annual revenue growth rates and gross margins, taking into account the approved budgets, historical financial data and current business plans of the respective subsidiaries;
- Evaluated the historical estimation accuracy of the cash flow forecast by, comparing the forecast used in the prior year to the actual performance of the subsidiaries' businesses in the current year;
- Checked the mathematical accuracy of the calculations of the goodwill impairment assessment; and
- Evaluated the reasonableness of the sensitivity analysis performed by management on the main key assumptions to understand the impact of reasonable changes in such assumptions on the recoverable amounts.

Based on the above, we considered that the significant judgments and estimates made by management in relation to the impairment assessment of goodwill were supportable by the evidences obtained and procedures performed.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	6	2,965,559	2,023,319
Cost of sales	6,9	(2,140,724)	(1,512,018)
Gross profit		824,835	511,301
Selling and marketing expenses	9	(22,828)	(15,730)
Administrative expenses	9	(286,110)	(182,838)
Net impairment losses on financial assets		(19,706)	(31,177)
Other income	7	35,551	173,488
Other losses, net	8	(7,180)	(10,154)
Fair value gains on investment properties	16	–	602
Operating profit		524,562	445,492
Finance costs	11	(1,436)	(131,430)
Share of results in joint ventures	13	31,381	16,105
Profit before income tax		554,507	330,167
Income tax expense	14	(113,256)	(67,610)
Profit for the year		441,251	262,557
Other comprehensive income		–	–
Profit and total comprehensive income for the year		441,251	262,557
Profit and total comprehensive income attributable to:			
— Owners of the Company		439,020	257,634
— Non-controlling interests		2,231	4,923
		441,251	262,557
Earnings per share for profit attributable to the owners of the Company			
— Basic and diluted (expressed in RMB per share)	15	0.37	0.29

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of 31 December	
		2021	2020
		RMB'000	RMB'000
Assets			
Non-current assets			
Investment properties	16	–	85,496
Property, plant and equipment	17	23,042	20,221
Intangible assets	18	164,263	107,033
Right-of-use assets	19	24,056	15,217
Investments in joint ventures	13	150,671	119,290
Deferred income tax assets	29	19,735	16,659
Total non-current assets		381,767	363,916
Current assets			
Inventories	21	176,209	122,886
Trade and note receivables	22	523,691	315,470
Prepayments and other receivables	23	219,606	114,743
Restricted bank deposits	24	541	338
Cash and cash equivalents	24	2,526,530	2,175,019
Total current assets		3,446,577	2,728,456
Total assets		3,828,344	3,092,372
Equity			
Equity attributable to owners of the Company			
Share capital	25	99,829	99,829
Reserves	26	1,638,320	1,703,440
Retained earnings	27	664,134	225,114
		2,402,283	2,028,383
Non-controlling interests		31,845	22,922
Total equity		2,434,128	2,051,305

	Note	As of 31 December	
		2021	2020
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Trade and other payables	28	**24,434**	8,526
Lease liabilities	19	**13,138**	4,393
Deferred income tax liabilities	29	**18,015**	12,543
Total non-current liabilities		**55,587**	25,462
Current liabilities			
Trade and other payables	28	**902,455**	651,304
Contract liabilities	6	**384,229**	327,943
Lease liabilities	19	**8,000**	8,338
Current tax liabilities		**43,945**	28,020
Total current liabilities		**1,338,629**	1,015,605
Total liabilities		**1,394,216**	1,041,067
Total equity and liabilities		**3,828,344**	3,092,372

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

The financial statements on pages 95 to 163 were approved by the board of directors on 18 March 2022 and were signed on its behalf:

Yang Deyong
Executive Director

Zhu Geying
Executive Director

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 year		–	–	–	439,020	439,020	2,231	441,251
Transactions with owners in their capacity as owners								
Non-controlling interests arising from newly established subsidiaries		–	–	–	–	–	7,145	7,145
Non-controlling interests on acquisition of a subsidiary		–	–	–	–	–	4,068	4,068
Dividends	30	–	–	(65,120)	–	(65,120)	–	(65,120)
Distribution relating to non-controlling interests		–	–	–	–	–	(4,521)	(4,521)
Balance at 31 December 2021		99,829	13,108	1,625,212	664,134	2,402,283	31,845	2,434,128

		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 2020		–	13,108	150,378	254,452	417,938	22,328	440,266
Comprehensive income								
Profit for the year		–	–	–	257,634	257,634	4,923	262,557
Transactions with owners in their capacity as owners								
Capital Injection	25, 26	10	–	326,270	–	326,280	–	326,280
Issue of ordinary shares pursuant to initial public offering	25, 26	24,958	–	1,401,356	–	1,426,314	–	1,426,314
Capitalization issue	25, 26	74,861	–	(74,861)	–	–	–	–
Deemed distribution	26	–	–	(185,000)	–	(185,000)	–	(185,000)
Contribution from the ultimate holding company	26	–	–	73,005	–	73,005	–	73,005
Dividends		–	–	–	(286,972)	(286,972)	(5,145)	(292,117)
Transaction with non-controlling interests	26	–	–	(816)	–	(816)	816	–
Balance at 31 December 2020		99,829	13,108	1,690,332	225,114	2,028,383	22,922	2,051,305

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	610,390	441,728
Income tax paid		(100,651)	(80,378)
Net cash generated from operating activities		509,739	361,350
Cash flows from investing activities			
Purchases of financial assets at fair value through profit or loss		(943,500)	(1,100,000)
Acquisition of a subsidiary, net of cash acquired	33	(23,819)	–
Down payment for acquisition of a subsidiary		(20,150)	–
Purchases of property, plant and equipment	17	(8,814)	(6,268)
Purchases of intangible assets	18	(6,122)	(2,768)
Redemption of financial assets at fair value through profit or loss		945,128	1,120,898
Proceeds from sale of property, plant and equipment		888	1,068
Acquisition of joint controlled entities	13(a)	–	(8,080)
Deemed distribution		–	(185,000)
Repayment of entrusted loan from an entity controlled by the ultimate holding company	34(b)	–	2,856,000
Interest received		–	147,363
Proceeds from sale of intangible assets		–	72
Net cash (used in)/generated from investing activities		(56,389)	2,823,285

	Note	Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
Cash flows from financing activities			
Dividends		(65,120)	(286,972)
Listing expenses paid		(20,416)	(58,251)
Payments of lease liabilities	19(c)	(13,350)	(8,297)
Distribution relating to non-controlling interests		(1,213)	(1,000)
Capital contributions from non-controlling interests		7,145	–
Repayments of borrowings		–	(2,549,974)
Repayment to an affiliate		–	(259,470)
Interest paid		–	(162,798)
Proceeds from issue of ordinary shares		–	1,467,468
Capital contributions from non-pubic shareholder		–	326,280
Amount advanced from an affiliate		–	113,340
Net cash used in financing activities		(92,954)	(1,419,674)
Net increase in cash and cash equivalents		360,396	1,764,961
Cash and cash equivalents at beginning of the year	24	2,175,019	423,413
Exchange losses on cash and cash equivalents	8	(8,885)	(13,355)
Cash and cash equivalents at end of the year		2,526,530	2,175,019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 18 March 2022.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2021:

- Covid-19-related Rent Concessions — Amendments to HKFRS 16
- Interest Rate Benchmark Reform — Phase 2 — Amendments to HKFRS 9, HKFRS 39, HKFRS 7, HKFRS 4 and HKFRS 16

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

(b) New standards and amendments not yet adopted

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

	Effective for annual periods beginning on or after
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 HKFRS 17— Insurance Contract	1 January 2023
Amendments to HKFRS 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
Revised Accounting Guideline 5 — Merger Accounting for Common Control Combinations	1 January 2022
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28 -Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

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

(a) Business combinations not under common control

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

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

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

(b) Business combinations under common control

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.2 Joint arrangements

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

2.2.3 Equity method

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

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

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

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

2.2.4 Changes in ownership interests

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other (losses)/gains, net.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

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

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

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

	Estimated useful lives	Estimated net residual value
— Buildings	20 years	0%
— Vehicles	2–10 years	0–5%
— Office and operating equipment	2–10 years	0–5%
— Leasehold improvement	Estimated useful lives or remaining lease terms whichever is shorter	0%

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

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

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

2.7 Investment properties

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) Trademarks

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

(c) Property management contracts and customer relationship

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

(d) Computer software

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

2.9 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

2.10.1 Classification

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

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

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

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

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

2.10.2 Recognition and measurement

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

Debt instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

2.10.3 Impairment

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

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

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

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

2.10.4 Offsetting financial instruments

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

2.11 Inventories

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

2.12 Trade and note receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payables

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

2.16 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.17 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

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

The Group's contributions to the defined contribution pension plans are expensed as incurred.

There is no mechanism for using forfeited contributions (by employers on behalf of employees who leave the pension plans prior to vesting fully in such contributions) to reduce the Group's level of contributions to the defined contribution pension plans and no forfeited contributions were used to reduce the Group's level of contributions for the year ended 31 December 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (Continued)

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

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

(d) Termination benefits

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

(e) Employee leave entitlements

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

(f) Bonus entitlements

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

2.18 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition

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

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

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

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

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

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

Property management and commercial operational services

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

For property management services income from properties managed under lump sum basis, where the Group as a principal is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue when the customer simultaneously benefits from the services provided by the Group.

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

For commercial operational services, including pre-opening management and operation management services. The Group charges pre-opening management service fees at certain multiplier per monthly rent. The Group charges fees from providing operation management services typically as a fixed amount or a percentage of the operating income or the operating profit of the relevant shopping malls and office buildings. Revenue from commercial operational services are recognised in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

Value-added services to non-property owners

Value-added services to non-property owners mainly includes (i) Pre-delivery services to property developers, which mainly includes cleaning and security services to property developer, which are billed based on the pre-determined price and revenue is recognised when such services are provided; (ii) Consultancy services, which are billed based on the contract amount with property developers and revenue is recognised when the services are provided; (iii) Property engineering services mainly include engineering and maintenance services of intelligent security equipment. Revenue from engineering services is recognised overtime as the work progresses.

Community value-added services

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

2.20 Interest income

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

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

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

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

2.21 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Earnings per share (Continued)

(b) Diluted earnings per share

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

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

2.22 Lease

(a) The Group as a lessee

The Group leases certain properties. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Lease (Continued)

(b) The Group as a lessor

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

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

The lease receivable under lease arrangements are recognised as “other receivables” in the consolidated statement of financial position.

2.23 Dividend distribution

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

2.24 Government grants

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Fair value interest rate risk

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

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

As of 31 December 2021 and 2020, the Group has no floating-interests-rate interest bearing liabilities.

3.1.2 Credit risk

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

(i) Cash in banks

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

(ii) Trade and note receivables

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

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

(iii) Other receivables due from related parties

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(iv) Other receivables other than those from related parties

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

Forward-looking information incorporated in the expected credit loss model

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

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

As of 31 December 2021 and 2020, the loss allowance of collectively impaired trade and note receivables was determined based as follow:

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade and note receivables due from third parties					
At 31 December 2021					
Expected loss rate	**4%**	**18%**	**33%**	**99%**	
Gross carrying amount (RMB'000)	**264,822**	**50,197**	**31,791**	**9,582**	**356,392**
Loss allowance provision (RMB'000)	**11,756**	**9,010**	**10,345**	**9,486**	**40,597**
At 31 December 2020					
Expected loss rate	6%	21%	38%	99%	
Gross carrying amount (RMB'000)	164,619	51,640	34,900	47,403	298,562
Loss allowance provision (RMB'000)	9,877	10,845	13,262	46,929	80,913

The expected credit loss rate for the provision matrix is for trade and note receivable which are mainly related to our property management and related services.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(iv) Other receivables other than those from related parties (Continued)

	As of 31 December					
	2021			2020		
	Expected Loss Rate	Gross Carrying Amount	Loss Allowance Provision	Expected Loss Rate	Gross Carrying Amount	Loss Allowance Provision
		RMB'000	RMB'000		RMB'000	RMB'000
Trade and note receivables due from related parties	0.83%	209,628	1,732	0.03%	97,850	29

As at 31 December 2021 and 2020, the loss allowance of collectively impaired other receivables (excluding prepayments) was determined as follows:

	As of 31 December					
	2021			2020		
	Expected Loss Rate	Gross Carrying Amount	Loss Allowance Provision	Expected Loss Rate	Gross Carrying Amount	Loss Allowance Provision
		RMB'000	RMB'000		RMB'000	RMB'000
Other receivables other than those from related parties	0.06%	84,566	50	0.06%	78,285	47
Other receivables due from related parties	0.03%	81,104	24	0.03%	16,380	5
		165,670	74		94,665	52

As at 31 December 2021, the loss allowance of individually impaired other receivables was determined as follows and no individually impaired other receivables occurred as at December 2020:

Individual	Carrying amount	Expected credit loss rate	Loss allowance	Reason
	RMB'000		RMB'000	
Other receivables	2,204	100%	2,204	The likelihood of recovery

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(iv) Other receivables other than those from related parties (Continued)

As of 31 December 2021 and 2020, the loss allowance provision for trade and note receivables and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade and note receivables	Other receivables (excluding prepayments)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2021	80,942	52	80,994
Provision for loss allowance recognised in profit or loss	17,411	2,295	19,706
Loss allowance write-off	(56,024)	(69)	(56,093)
At 31 December 2021	42,329	2,278	44,607
At 1 January 2020	80,462	832	81,294
Provision for loss allowance recognised in profit or loss	31,177	–	31,177
Loss allowance write-off	(30,697)	(780)	(31,477)
At 31 December 2020	80,942	52	80,994

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

As of 31 December 2021, the gross carrying amount of trade and note receivables and other receivables (excluding prepayments) was RMB733,894,000 (2020: RMB491,077,000), and thus the maximum exposure to loss was RMB689,287,000 (2020: RMB410,083,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is the functional currency of the group companies. Foreign currency transaction mainly included receipts of proceeds from the Listing on the Main Board of the Stock Exchange and payment of professional fees which are dominated in HK dollar ("HKD") and US dollar ("USD"). As at 31 December 2021 and 2020, major non-RMB assets are cash and cash equivalents denominated in HKD and USD. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group currently does not have a foreign currency hedging policy, and manage its foreign currency risk by closely monitoring the movement of foreign currency rate.

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

	As at 31 December			
	2021		2020	
	HKD	USD	HKD	USD
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	20,498	730,959	1,557,556	7

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net foreign exchange losses included in other losses, net	(8,885)	(13,355)

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
5% increase in RMB against HKD and USD	(37,573)	(77,878)
5% decrease in RMB against HKD and USD	37,573	77,878

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.4 Liquidity risk

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

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contractual maturities of financial liabilities					
At 31 December 2021					
Trade and other payables (excluding payroll and welfare payables and other tax payables)	745,710	9,607	14,663	164	770,144
Lease liabilities	8,243	4,708	8,850	2,544	24,345
	753,953	14,315	23,513	2,708	794,489
At 31 December 2020					
Trade and other payables (excluding payroll and welfare payables and other tax payables)	553,415	–	8,526	–	561,941
Lease liabilities	8,437	2,184	2,280	413	13,314
	561,852	2,184	10,806	413	575,255

3.2 Capital management

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

As of 31 December 2021 and 2020 and the gearing ratio of the Group is as follows:

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities	21,138	12,731
Less: cash and cash equivalents	(2,526,530)	(2,175,019)
Net cash	(2,505,392)	(2,162,288)
Total equity	2,434,128	2,051,305

The Group's gearing ratio was not applicable as of 31 December 2021 and 2020 due to a net cash position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Loss allowances assessment of trade and note receivables

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

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and note receivables and net impairment losses on financial assets in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(b) Impairment assessment of goodwill

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

Property management contracts and customers relationships are recognised during major business combination, which is measured at fair value on the acquisition date. Property management contracts and customers relationship has a finite life and are carried at cost less accumulated amortisation. The directors determined the useful life of property management contracts with reference to the term of outstanding contract and the useful life of customer relationship with reference to each existing contract based on contract expiring dates, historical trend of termination or renewal rate, experience in the property management industry and to the useful life of customer relationship used by industry peers. Amortisation is calculated using the straight-line method over the expected life of 7.5–10 years.

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

(d) Current and deferred income tax

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

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

5 SEGMENT INFORMATION

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

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

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the years of 2021 and 2020.

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

6 REVENUE AND COST OF SALES

Revenue mainly comprises of proceeds from property management and commercial operational services, community value-added services and value added services to non-property owners. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2021 and 2020 is as follows:

		Year ended 31 December			
		2021		2020	
	Revenue from customer and recognised	Revenue	Cost of sales	Revenue	Cost of sales
		RMB'000	RMB'000	RMB'000	RMB'000
Property management and commercial operational services	Over time	1,588,395	1,210,409	1,339,256	1,099,618
Community value-added services	Over time and point in time	788,835	472,340	316,171	118,831
Value-added services to non-property owners	Over time	588,329	457,975	367,892	293,569
		2,965,559	2,140,724	2,023,319	1,512,018

For the year ended 31 December 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 25.7% (2020: 20.4%) of the Group' s revenue. Other than Sino-Ocean Group and 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 for the years ended 31 December 2021 and 2020.

(a) Contract liabilities

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

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities		
— related parties (Note 34(d))	8,288	5,920
— third parties	375,941	322,023
	384,229	327,943

(i) Significant changes in contract liabilities

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

6 REVENUE AND COST OF SALES (CONTINUED)

(a) Contract liabilities (Continued)

(ii) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management and commercial operational services	252,801	227,815
Community value-added services	75,019	75,701
Value-added services to non-property owners	123	539
	327,943	304,055

(iii) Unsatisfied performance obligations

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

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

For the years ended 31 December 2021 and 2020, no significant incremental cost occurred to obtain a contract.

7 OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants (a)	19,247	21,960
Interest income from bank deposits	15,917	3,339
Interest income from loans due from related parties (Note 34(b))	–	147,363
Others	387	826
	35,551	173,488

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

8 OTHER LOSSES, NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value gains on financial assets at fair value through profit or loss	1,628	3,063
Gains on disposal of property, plant and equipment	77	142
Net foreign exchange losses	(8,885)	(13,355)
Others	–	(4)
	(7,180)	(10,154)

9 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	802,123	579,278
Outsourced security, greening and cleaning expenses	699,166	566,258
Maintenance expenses and utilities	348,436	283,226
Cost of consumables and raw materials	132,130	72,602
Cost of goods sold	115,583	–
Sub-contract expenses for home improvement and property agency services	100,009	–
Office-related expenses	96,417	70,062
Cost of selling carpark spaces	34,954	11,702
Depreciation and amortisation charges (Note 17, Note 18 and Note 19)	29,272	27,521
Community activities expenses	20,689	15,730
Taxes and surcharges	14,520	10,233
Service fee related to commercial operational services	7,607	–
Listing expenses	–	37,512
Auditors' remuneration	3,740	3,029
— Audit services	2,600	2,600
— Non-audit services	1,140	429
Others	45,016	33,433
	2,449,662	1,710,586

10 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	617,806	465,294
Pension costs (a)	62,330	10,573
Housing funds, medical insurances and other social insurance	78,551	60,946
Other employee benefits (b)	43,436	42,465
	802,123	579,278

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of employee salaries as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. During the year ended 31 December 2020, there were certain exemptions from contributions to the defined contribution retirement scheme by the local government in response to the outbreak of COVID-19. There were no exemptions during the year ended 31 December 2021.

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

(c) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include 2 directors (2020: nil), whose emoluments are reflected in the analysis shown in note 36. The emoluments payable to the remaining 3 individuals (2020: 5 individuals) during the year are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Basic salaries	4,209	3,576
Hosing allowances, other allowances and benefits in kind	287	1,009
Bonuses	2,654	1,960
Contribution to pension scheme	158	217
	7,308	6,762

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2021	2020
Emolument bands (in HKD)		
1,000,001–1,500,000	–	1
1,500,001–2,000,000	–	4
2,000,001–2,500,000	2	–
4,500,001–5,000,000	1	–
	3	5

11 FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense of asset-backed securities	–	130,406
Interest expense for lease liabilities (Note 19)	**1,436**	929
Others	–	95
	1,436	131,430

12 SUBSIDIARIES

The Group's principal subsidiaries as of 31 December 2021 are set out below. Unless otherwise stated, the proportion of ownership interests held equals to the voting rights held by the Group.

	Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation	Issued/paid-in capital (In thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					As of 31 December		As of 31 December	
					2021	2020	2021	2020
(1)	Harvest Team Global Limited	BVI, Limited Company	Investment holding in BVI	USD–	**100%**	100%	–	–
(2)	Park Star Global Limited	BVI, Limited Company	Investment holding in BVI	USD–	**100%**	100%	–	–
(3)	Super Lucky Investment Limited	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD–	**100%**	100%	–	–
(4)	Talent Bright Creation Limited	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD–	**100%**	100%	–	–
(5)	北京遠環榮達企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB558,900	**100%**	100%	–	–
(6)	北京遠環瑞達企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB226,900	**100%**	100%	–	–
(7)	北京卓遠瑞通企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB558,700	**100%**	100%	–	–

12 SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation	Issued/paid-in capital (In thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					As of 31 December		As of 31 December	
					2021	2020	2021	2020
(8)	北京卓遠瑞合企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB226,700	**100%**	100%	**–**	–
(9)	遠洋億家物業服務股份有限公司 ("Ocean Homeplus")	The PRC, Limited Liability Company by shares	Property management in Mainland of the PRC	RMB704,000	**100%**	100%	**–**	–
(10)	中遠酒店物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB12,667	**100%**	100%	**–**	–
(11)	大連遠洋基業物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**100%**	100%	**–**	–
(12)	中山遠洋物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**100%**	100%	**–**	–
(13)	北京億洋時代樓宇科技有限公司	The PRC, Limited Liability Company	Repair and Maintenance Services in Mainland of the PRC	RMB8,000	**100%**	100%	**–**	–
(14)	山東聯泰物業服務有限公司 ("Shandong Liantai")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**80%**	80%	**20%**	20%
(15)	遠洋億家物業服務南通有限公司 ("Ocean Nantong")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**60%**	60%	**40%**	40%
(16)	杭州遠洋新時代物業管理有限公司 ("Hangzhou New Era")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**60%**	60%	**40%**	40%

12 SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation	Issued/paid-in capital (In thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					As of 31 December		As of 31 December	
					2021	2020	2021	2020
(17)	長沙相成物業管理有限公司 ("Changsha Xiangcheng")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	60%	60%	40%	40%
(18)	億雲智慧 (北京) 信息技術發展有限公司	The PRC, Limited Liability Company	Information technology in Mainland of the PRC	RMB–	100%	100%	–	–
(19)	廣東遠淘物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB2,000	51%	N/A	49%	N/A
(20)	鄭州遠鑫物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB–	100%	N/A	–	N/A
(21)	石家莊億洋物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB–	55%	N/A	45%	N/A
(22)	平潭億暉企業諮詢有限公司	The PRC, Limited Liability Company	Commercial operational services in Mainland of the PRC	RMB–	100%	N/A	–	N/A
(23)	平潭億博企業諮詢有限公司	The PRC, Limited Liability Company	Commercial operational services in Mainland of the PRC	RMB–	100%	N/A	–	N/A
(24)	浙江遠甌物業管理有限公司 ("Zhejiang Yuanou") (a)	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB6,675	80%	N/A	20%	N/A
(25)	北京應維科技服務有限公司	The PRC, Limited Liability Company	Technological development in Mainland of the PRC	RMB10,000	51%	N/A	49%	N/A

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

(a) In July 2021, the Group acquired 80% equity interests of Zhejiang Yuanou from a third party (Note 33).

(b) As at 31 December 2021, the total non-controlling interests are RMB31,845,000 (2020: RMB22,922,000). No subsidiary has non-controlling interests that are material to the Group.

13 INVESTMENTS IN JOINT VENTURES

Set forth below are the joint ventures of the Group as of 31 December 2021 and 2020 which, in the opinion of the directors, are not individually material to the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		As of 31 December				As of 31 December	
		2021	2020			2021	2020
Chengdu Qianhao Property Service Co., Ltd. 成都乾豪物業服務有限公司 ("Chengdu Qianhao")	Property Management in Chengdu	50%	50%	Joint venture	Equity method	110,732,000	88,474,000
Beijing Best Technology Service Co., Ltd. 北京百思得科技服務有限責任公司 ("Beijing Best") (i)	Cleaning Service in Beijing	30%	30%	Joint venture	Equity method	21,686,000	21,122,000
Beijing Indigo Property Service Co., Ltd. 北京頤堤港物業服務有限公司 ("Beijing Indigo")	Property Management in Beijing	50%	50%	Joint venture	Equity method	13,030,000	6,710,000
Chongqing Tengji Property Management Co., Ltd. 重慶騰基物業管理有限公司 ("Chongqing Tengji") (i)	Property management in Chongqing	49%	49%	Joint venture	Equity method	5,223,000	2,984,000

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

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of year	119,290	22,100
Share of profit from investments in joint ventures	31,381	16,105
Acquisition (a)	–	81,085
At end of year	150,671	119,290

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

13 INVESTMENTS IN JOINT VENTURES (CONTINUED)

As of 31 December 2021 and 2020, there were no significant contingent liabilities or commitments relating to the Group's interests in the joint ventures.

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Carrying amounts in the consolidated financial statements	150,671	119,290
Share of results	31,381	16,105
Share of total comprehensive income	31,381	16,105

14 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax	111,359	66,926
— PRC land appreciation tax	5,181	780
Deferred income tax credit (Note 29)	(3,284)	(96)
	113,256	67,610

14 INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	554,507	330,167
Adjust for:		
Share of results of joint ventures	(31,381)	(16,105)
	523,126	314,062
Tax calculated at a tax rate of 25%	130,782	78,516
Tax effects of:		
Income not subject to tax	(3,267)	(71)
Effect of higher tax rate for the appreciation of land in the PRC	3,886	585
Expenses not deductible for tax purposes	3,642	1,759
Tax losses not recognised	1,465	1,991
Utilisation of previously unrecognised tax losses and expenses	(616)	(1,617)
Differences in tax rate	(23,990)	(13,396)
Others	1,354	(157)
	113,256	67,610

The effective income tax rate was 20% (2020: 20%) for the year ended 31 December 2021.

(a) Cayman Islands income tax

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

(b) Hong Kong profit tax

No provision for Hong Kong profit tax was made as the Group did not have assessable income subject to Hong Kong profit tax for the years ended 31 December 2021 and 2020.

(c) PRC corporate income tax

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

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

14 INCOME TAX EXPENSE (CONTINUED)

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

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

(e) PRC withholding income tax

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

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

15 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of 1,184,000,000 (2020: 900,131,148) in issue during the year.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company used in the basic earnings per share calculation (RMB'000)	439,020	257,634
Weighted average number of ordinary shares in issue (in thousands)	1,184,000	900,131
Basic and diluted earnings per share for profit attributable to the owners of the Company during the year (expressed in RMB per share)	0.37	0.29

For the years ended 31 December 2021 and 2020, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

16 INVESTMENT PROPERTIES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Opening net book amount	85,496	84,894
Fair value gains recognised in profit or loss	–	602
Transfer to inventories	(85,496)	–
Closing net book amount	–	85,496

16 INVESTMENT PROPERTIES (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income	2,316	4,819
Direct operating expenses	(942)	(1,723)

17 PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2021				
	Buildings	Office and operating equipment	Vehicles	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At beginning of year	639	41,228	5,080	23,535	70,482
Additions	2,776	8,633	–	181	11,590
Acquisition of a subsidiary	–	1,348	–	–	1,348
Disposals	(639)	(1,197)	(468)	(3,069)	(5,373)
At end of year	2,776	50,012	4,612	20,647	78,047
Accumulated depreciation					
At beginning of year	(69)	(29,510)	(2,230)	(18,452)	(50,261)
Depreciation	(54)	(5,677)	(623)	(2,457)	(8,811)
Acquisition of a subsidiary	–	(495)	–	–	(495)
Disposals	77	1,097	319	3,069	4,562
At end of year	(46)	(34,585)	(2,534)	(17,840)	(55,005)
Net book amount					
At end of year	2,730	15,427	2,078	2,807	23,042

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Year ended 31 December 2020				
	Buildings	Office and operating equipment	Vehicles	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At beginning of year	1,291	41,024	5,575	22,941	70,831
Additions	–	5,348	326	594	6,268
Disposals	(652)	(5,144)	(821)	–	(6,617)
At end of year	639	41,228	5,080	23,535	70,482
Accumulated depreciation					
At beginning of year	(126)	(29,202)	(2,222)	(14,001)	(45,551)
Depreciation	(22)	(5,131)	(797)	(4,451)	(10,401)
Disposals	79	4,823	789	–	5,691
At end of year	(69)	(29,510)	(2,230)	(18,452)	(50,261)
Net book amount					
At end of year	570	11,718	2,850	5,083	20,221

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales and services	**6,120**	9,258
Administrative expenses	**2,691**	1,143
	8,811	10,401

No property, plant and equipment is restricted or pledged as security for liabilities as of 31 December 2021 and 2020.

18 INTANGIBLE ASSETS

	Computer software	Trademark	Property management contracts and customer relationship	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2021					
Cost	19,462	2,975	51,325	54,804	128,566
Accumulated amortisation	(5,111)	(630)	(15,792)	–	(21,533)
Net book amount	14,351	2,345	35,533	54,804	107,033
Year ended 31 December 2021					
Opening net book amount	14,351	2,345	35,533	54,804	107,033
Additions	6,122	–	–	–	6,122
Acquisition of a subsidiary	118	–	22,720	37,828	60,666
Amortisation	(2,640)	(229)	(6,689)	–	(9,558)
Closing net book amount	17,951	2,116	51,564	92,632	164,263
As of 31 December 2021					
Cost	25,719	2,975	74,045	92,632	195,371
Accumulated amortisation	(7,768)	(859)	(22,481)	–	(31,108)
Net book amount	17,951	2,116	51,564	92,632	164,263
As of 1 January 2020					
Cost	16,794	2,975	51,325	54,804	125,898
Accumulated amortisation	(3,010)	(401)	(10,049)	–	(13,460)
Net book amount	13,784	2,574	41,276	54,804	112,438
Year ended 31 December 2020					
Opening net book amount	13,784	2,574	41,276	54,804	112,438
Additions	2,768	–	–	–	2,768
Disposals	(76)	–	–	–	(76)
Amortisation	(2,125)	(229)	(5,743)	–	(8,097)
Closing net book amount	14,351	2,345	35,533	54,804	107,033
As of 31 December 2020					
Cost	19,462	2,975	51,325	54,804	128,566
Accumulated amortisation	(5,111)	(630)	(15,792)	–	(21,533)
Net book amount	14,351	2,345	35,533	54,804	107,033

18 INTANGIBLE ASSETS (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales and services	90	1,396
Administrative expenses	9,468	6,701
	9,558	8,097

(a) No intangible asset is restricted or pledged as security for liabilities as of 31 December 2021 and 2020.

(b) Goodwill arising from acquisition of subsidiaries:

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Zhejiang Yuanou	37,828	–
Changsha Xiangcheng	27,336	27,336
Shandong Liantai	25,961	25,961
Hangzhou New Era	1,048	1,048
Ocean Nantong	459	459
	92,632	54,804

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

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

As of 31 December 2021, the management performed an impairment assessment on the goodwill. The recoverable amounts of the property management business operated by Changsha Xiangcheng, Shandong Liantai and Zhejiang Yuanou have been assessed by an independent valuer and determined based on VIU calculation. The calculation used cash flow projections based on financial budgets covering a five-year periods approved by the management.

18 INTANGIBLE ASSETS (CONTINUED)

The following table sets forth each key assumption at 31 December 2021, used in assessing the recoverable amounts of the property management business that have significant goodwill.

	Changsha Xiangcheng	Shandong Liantai	Zhejiang Yuanou
Revenue 2022 (% annual growth rate)	7.0%	3.0%	5.0%
Revenue 2023 (% annual growth rate)	5.0%	3.0%	4.0%
Revenue 2024 to 2026 (% annual growth rate)	3.0%–4.0%	3.0%	3.0%
Gross margin (% of revenue)	18.5%	11.5%	15.5%
Discount rate	13.0%	13.0%	13.0%

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

	Changsha Xiangcheng	Shandong Liantai
Revenue 2021 (% annual growth rate)	8.0%	5.0%
Revenue 2022 (% annual growth rate)	3.2%	3.0%
Revenue 2023 to 2025 (% annual growth rate)	3.2%	3.0%
Gross margin (% of revenue)	20.5%	11.0%
Discount rate	13.0%	13.0%

As of 31 December 2021, the recoverable amounts of RMB186,805,000 (2020: RMB113,793,000) of the property management business calculated based on VIU calculation exceeded their carrying amount value of RMB171,098,000 (2020: RMB103,594,000) by RMB15,707,000 (2020: RMB10,199,000).

Details of the headroom attributable to the property management business with significant goodwill as of 31 December 2021 and 2020 are set out as follows:

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Changsha Xiangcheng	**4,173**	4,393
Shandong Liantai	**8,501**	5,806
Zhejiang Yuanou	**3,033**	N/A

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom respectively as of 31 December 2021 and 2020.

18 INTANGIBLE ASSETS (CONTINUED)

	Changsha Xiangcheng	Shandong Liantai	Zhejiang Yuanou
As of 31 December 2021			
Annual revenue growth rate	−1.7%	−4.1%	−1.1%
Discount rate	+1.0%	+2.1%	+0.5%
As of 31 December 2020			
Annual revenue growth rate	−1.8%	−2.7%	N/A
Discount rate	+1.0%	+1.3%	N/A

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

By reference to the recoverable amount assessed by the independent valuer as of 31 December 2021, the directors of the Company determined that no impairment provision on goodwill asset was required as of 31 December 2021 (2020: nil).

19 LEASES

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

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

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Buildings	20,396	13,910
Parking lots	3,398	862
Vehicles	161	250
Equipment	101	195
	24,056	15,217
Lease liabilities		
Current	8,000	8,338
Non-current	13,138	4,393
	21,138	12,731

19 LEASES (CONTINUED)

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Buildings	8,821	8,872
Parking lots	1,930	112
Vehicles	89	15
Equipment	63	24
	10,903	9,023
Interest expense (Note 11)	1,436	929

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash flows from financing activities		
Payments of interest element of lease liabilities	1,436	929
Payments of principal element of lease liabilities	11,914	7,368
	13,350	8,297

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

The Group leases various offices, parking lots, vehicles and equipment. Rental contracts are typically made for fixed periods of 2 to 10 years.

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

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade and note receivables	523,691	315,470
Other receivables (excluding prepayment)	165,596	94,613
Cash and cash equivalents	2,526,530	2,175,019
Restricted bank deposits	541	338
	3,216,358	2,585,440
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables (excluding payroll and welfare payables and other tax payables)	770,144	561,941
Lease liabilities	21,138	12,731
	791,282	574,672

21 INVENTORIES

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Carpark spaces	157,640	119,294
Properties held for sale	12,976	–
Consumables and goods	5,593	3,592
	176,209	122,886

22 TRADE AND NOTE RECEIVABLES

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
— related parties (Note 34(d))	209,628	97,850
— third parties	356,157	298,562
	565,785	396,412
Note receivables		
— third parties	235	–
Less: allowance for impairment of trade and note receivables	(42,329)	(80,942)
	523,691	315,470

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

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

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

As of 31 December 2021 and 2020, the aging analysis of the trade and note receivables based on the invoice date, were as follows:

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	466,405	254,341
1–2 years	55,322	57,482
2–3 years	33,845	36,417
Over 3 years	10,448	48,172
Total	566,020	396,412

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As of 31 December 2021, a provision of RMB42,329,000 (2020: RMB80,942,000) was provided against the gross amounts of trade and note receivables (Note 3.1.2).

As of 31 December 2021 and 2020, the trade and note receivables were denominated in RMB, and the fair value of trade and note receivables approximated their carrying amounts.

23 PREPAYMENTS AND OTHER RECEIVABLES

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments to suppliers		
— Related parties (Note 34(d))	216	2,591
— Third parties	32,992	10,445
	33,208	13,036
Prepayment for acquisition of a subsidiary	20,150	–
Other receivables		
— Related parties (Note 34(d))	81,104	16,380
— Payments on behalf of property owners	49,438	52,106
— Deposit	19,845	11,807
— Others	17,487	14,372
	167,874	94,665
Less: allowance for impairment of other receivables	(2,278)	(52)
	165,596	94,613
Prepaid tax	652	7,094
	219,606	114,743

24 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Cash on hand	31	13
Bank deposits (a)	2,527,040	2,175,344
	2,527,071	2,175,357
Less: Restricted bank deposits (b)	(541)	(338)
Cash and cash equivalents	2,526,530	2,175,019

24 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS (CONTINUED)

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

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	1,775,583	617,781
HKD	20,498	1,557,556
USD	730,959	7
	2,527,040	2,175,344

(b) As of 31 December 2021 and 2020, restricted bank deposits mainly consisted of the deposits made as performance security for certain contracts relating to the maintenance projects and the bid deposits of property management projects, which is required by relevant local government authorities for bidding for property management projects. The relevant deposits will be refunded at the end of the property management service period.

25 SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 15 April 2020. As at 31 December 2021, the issued shares was 1,184,000,000 shares at a par value of HKD0.1 each.

	Number of shares	Share capital	Share capital
		HKD'000	RMB'000
Issued and fully paid			
As of 31 December 2021	1,184,000,000	118,400	99,829

25 SHARE CAPITAL (CONTINUED)

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

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

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

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

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

26 RESERVES

	Statutory reserve	Other reserves	Total
	RMB'000	RMB'000	RMB'000
As of 1 January 2021	13,108	1,690,332	1,703,440
Dividends	–	(65,120)	(65,120)
As of 31 December 2021	13,108	1,625,212	1,638,320
As of 1 January 2020	13,108	150,378	163,486
Capital injection from the shareholders of the Company	–	326,270	326,270
Issuance of ordinary shares pursuant to initial public offering	–	1,401,356	1,401,356
Capitalization issue	–	(74,861)	(74,861)
Deemed distribution	–	(185,000)	(185,000)
Transaction with non-controlling interests	–	(816)	(816)
Contribution from the ultimate holding company	–	73,005	73,005
As of 31 December 2020	13,108	1,690,332	1,703,440

(a) PRC statutory reserve

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

27 RETAINED EARNINGS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	225,114	254,452
Profit for the year	439,020	257,634
Dividends	–	(286,972)
At 31 December	664,134	225,114

28 TRADE AND OTHER PAYABLES

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables (a)		
— Related parties (Note 34(d))	29,215	22,347
— Third parties	415,102	256,930
	444,317	279,277
Other payables		
— Related parties (Note 34(d))	32,042	25,279
— Deposit	132,419	112,148
— Amounts collected on behalf of property owner	100,845	90,235
— Consideration payable for acquisition of a subsidiary	28,600	–
— Others	24,468	50,857
	318,374	278,519
Dividends payables		
— Non-controlling shareholders	7,453	4,145
Accrued payroll and welfare payables	140,015	92,125
Other taxes payables	16,730	5,764
	156,745	97,889
Less: non-current portion	(24,434)	(8,526)
Total	902,455	651,304

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

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

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	406,713	269,703
1–2 years	28,862	6,652
2–3 years	5,866	2,271
Over 3 years	2,876	651
	444,317	279,277

29 DEFERRED INCOME TAX

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

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets:		
—Deferred tax asset to be recovered after more than 12 months	19,515	16,478
—Deferred tax asset to be recovered within 12 months	220	181
	19,735	16,659
Deferred tax liabilities:		
—Deferred tax liability to be recovered after more than 12 months	(16,584)	(11,349)
—Deferred tax liability to be recovered within 12 months	(1,431)	(1,194)
	(18,015)	(12,543)
	1,720	4,116

The movement in deferred income tax assets and liabilities during the years of 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets — allowance on doubtful debts	Deferred tax assets — accrued expenses	Deferred tax assets — unrealized gains	Deferred tax assets — net impact of right-of-use assets and lease liabilities	Deferred tax liabilities — Investment properties revaluation	Deferred tax liabilities — excess of value of intangible assets identified in business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2021	19,693	2,650	143	181	(10,975)	(7,576)	4,116
Credited/(charged) to income tax expense	2,023	–	(61)	39	(148)	1,431	3,284
Acquisition	–	–	–	–	–	(5,680)	(5,680)
As of 31 December 2021	21,716	2,650	82	220	(11,123)	(11,825)	1,720
As of 1 January 2020	20,297	2,525	213	273	(10,518)	(8,770)	4,020
Credited/(charged) to income tax expense	(604)	125	(70)	(92)	(457)	1,194	96
As of 31 December 2020	19,693	2,650	143	181	(10,975)	(7,576)	4,116

29 DEFERRED INCOME TAX (CONTINUED)

As of 31 December 2021, in accordance with the accounting policy set out in Note 2.16(b), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB12,801,000 (2020: RMB9,408,000) as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. Among of the tax losses, RMB167,000 (2020: RMB2,473,000) will expire in five years from year of occurrence under current tax legislation:

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Expiry year		
2021	–	5
2022	–	–
2023	–	–
2024	–	1,441
2025	6	1,027
2026	161	–
	167	2,473

As of 31 December 2021, deferred income tax liabilities have not been recognised for the withholding tax that would be payable upon remittance, in respect of the unremitted distributable profits of certain PRC subsidiaries amounting to RMB597,829,000 attributable to the investors outside the PRC as such profits are intended to be reinvested in the PRC (2020: RMB223,306,000).

30 DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Proposed final dividend of RMB0.093 (2020: RMB0.055) per ordinary share (a)	110,112	65,120

(a) On 18 March 2022, the Company proposed a final dividend of RMB110,112,000 for the year ended 31 December 2021.

(b) During the year of 2021, the Group declared and paid dividends with aggregated amounts of RMB65,120,000 to the Company's shareholders.

31 CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	554,507	330,167
Adjustments for:		
Gains on disposal of property, plant and equipment (Note 8)	(77)	(142)
Fair value gains on financial assets at fair value through profit or loss (Note 8)	(1,628)	(3,063)
Share of results in joint ventures (Note 13)	(31,381)	(16,105)
Net impairment losses on financial assets (Note 3.1.2)	19,706	31,177
Amortisation of right-of-use assets (Note 19)	10,903	9,023
Amortisation of intangible assets (Note 18)	9,558	8,097
Exchange losses (Note 8)	8,885	13,355
Depreciation of property, plant and equipment (Note 17)	8,811	10,401
Finance cost (Note 11)	1,436	131,430
Valuation gains on investment properties (Note 16)	–	(602)
Interest income from loans due from related parties (Note 7)	–	(147,363)
Listing expenses (Note 9)	–	37,512
Losses on disposal of intangible assets (Note 8)	–	4
Changes in working capital:		
Inventories	33,091	11,939
Trade and note receivables	(219,801)	16,917
Prepayments and other receivables	(82,804)	(24,776)
Trade and other payables	243,101	10,053
Contract liabilities	56,286	23,888
Restricted bank deposits	(203)	(184)
	610,390	441,728

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movement in net debt for the years of 2021 and 2020.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	2,526,530	2,175,019
Lease liabilities	(21,138)	(12,731)
Net cash	2,505,392	2,162,288

	Cash and cash equivalents	Borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash as of 1 January 2021	2,175,019	–	(12,731)	2,162,288
Addition of lease liabilities	–	–	(20,321)	(20,321)
Accrued interest expenses	–	–	(1,436)	(1,436)
Foreign exchanges	(8,885)	–	–	(8,885)
Cash flows	360,396	–	13,350	373,746
Net cash as of 31 December 2021	2,526,530	–	(21,138)	2,505,392
Net cash as of 1 January 2020	423,413	(2,545,982)	(4,458)	(2,127,027)
Addition of lease liabilities	–	–	(15,641)	(15,641)
Accrued interest expenses	–	(3,992)	(929)	(4,921)
Foreign exchanges	(13,355)	–	–	(13,355)
Cash flows	1,764,961	2,549,974	8,297	4,323,232
Net cash as of 31 December 2020	2,175,019	–	(12,731)	2,162,288

32 COMMITMENTS

(a) Operating lease rental receivables

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

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	450	2,196
Between 1 and 2 years	263	450
Between 2 and 3 years	–	263
	713	2,909

(b) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Consideration for acquisition of subsidiaries which has not been completed as at 31 December	61,200	–

33 BUSINESS COMBINATION

On 31 July 2021, the Group completed its acquisition of 80% the equity interests in Zhejiang Yuanou at a consideration of RMB54,100,000 from a third party. Total identifiable net assets of Zhejiang Yuanou amounted to RMB20,340,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

The acquired business of Zhejiang Yuanou contributed total revenue of RMB23,334,000 and net profit of RMB1,801,000 to the Group for the period from its acquisition date to 31 December 2021.

If Zhejiang Yuanou had been consolidated from 1 January 2021, the consolidated statement of comprehensive income for the year ended 31 December 2021 would show pro-forma revenue of RMB61,558,000 and profit of RMB6,172,000.

33 BUSINESS COMBINATION (CONTINUED)

	At the date of acquisition
	RMB'000
Consideration	
— Cash paid	25,500
— Other payables	28,600
	54,100
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,681
Inventories	137
Property, plant and equipment	853
Intangible Assets	22,838
Trade and note receivables	8,907
Prepayments and other receivables	1,331
Current income tax liabilities	(9,691)
Contract liabilities	(36)
Deferred tax liabilities	(5,680)
Total identifiable net assets	20,340
Less: non-controlling interests	(4,068)
Net assets acquired	16,272
Goodwill	37,828

Goodwill of RMB37,828,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

Net cash outflow arising on acquisition during the year ended 31 December 2021:

	RMB'000
Cash consideration paid	(25,500)
Cash and cash equivalents acquired at the acquisition date	1,681
Net cash outflow on the acquisition	(23,819)

34 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

(b) Transactions with related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Provision of services		
—A joint venture	389	57
—Entities controlled by the ultimate holding company	435,410	259,805
—Entities over which the ultimate holding company has significant influence or joint control	294,646	122,695
—A shareholder of the ultimate holding company of the Group	32,826	29,715
	763,271	412,272
Purchase of goods and services		
—A joint venture	120,921	101,921
—Entities controlled by the ultimate holding company	10,336	8,705
—Entities over which the ultimate holding company has significant influence or joint control	5,737	6,754
—A shareholder of the ultimate holding company of the Group	97	–
	137,091	117,380
Recognition of right-of-use assets on leased assets		
—Entities controlled by the ultimate holding company	10,487	987
Interest income		
—Entities controlled by the ultimate holding company	–	147,363

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense for lease liabilities		
—Entities controlled by the ultimate holding company	587	158
—Entities over which the ultimate holding company has significant influence and joint control	53	59
	640	217
Deposits payable to entities controlled by the ultimate holding company		
At 1 January	–	–
Amounts advanced during the year	66,390	–
Repayments during the year	(11,945)	–
At 31 December	54,445	–
Deposits payable to entities over which the ultimate holding company has significant influence or joint control		
At 1 January	–	–
Amounts advanced during the year	16,636	–
At 31 December	16,636	–
Loans to an entity controlled by the ultimate holding company		
At 1 January	–	2,856,000
Repayments during the year	–	(2,856,000)
At 31 December	–	–
Loans from an entity controlled by the ultimate holding company		
At 1 January	–	20,000
Repayments during the year	–	(20,000)
At 31 December	–	–
Amount advanced from an entity controlled by the ultimate holding company		
At 1 January	–	146,130
Amounts advanced during the year	–	113,340
Repayments during the year	–	(259,470)
At 31 December	–	–

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

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Compensations for key management and directors are set forth below.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, bonuses and other benefits	11,751	10,737

(d) Balances with related parties

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Trade and note receivables		
—A joint venture	3	–
—Entities controlled by the ultimate holding company	90,687	61,740
—Entities over which the ultimate holding company has significant influence or joint control	117,992	29,558
—A shareholder of the ultimate holding company of the Group	946	6,552
	209,628	97,850
Other receivables		
—A joint venture	398	25
—Entities controlled by the ultimate holding company	61,442	12,631
—Entities over which the ultimate holding company has significant influence and joint control	19,264	3,724
	81,104	16,380

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (Continued)

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments		
—Entities controlled by the ultimate holding company	216	2,591
Trade payables		
—A joint venture	24,150	16,592
—Entities controlled by the ultimate holding company	4,638	4,401
—Entities over which the ultimate holding company has significant influence or joint control	325	–
—A shareholder of the ultimate holding company of the Group	102	1,354
	29,215	22,347
Other payables		
—A joint venture	25	–
—Entities controlled by the ultimate holding company	21,997	20,303
—Entities over which the ultimate holding company has significant influence and joint control	10,020	4,976
	32,042	25,279
Contract liabilities		
—A joint venture	4	–
—Entities controlled by the ultimate holding company	1,929	5,920
—Entities over which the ultimate holding company has significant influence or joint control	2,270	–
—A shareholder of the ultimate holding company of the Group	4,085	–
	8,288	5,920
Lease liabilities		
—Entities controlled by the ultimate holding company	12,109	1,046
—Entities over which the ultimate holding company has significant influence and joint control	836	968
	12,945	2,014

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
Non-current assets		
Investment in subsidiaries	–*	–*
Prepayments and other receivables	770,086	–
Total non-current assets	770,086	–
Current assets		
Prepayments and other receivables	198	185,815
Cash and cash equivalents	1,051,548	1,557,556
Total current assets	1,051,746	1,743,371
Total assets	1,821,832	1,743,371
Equity		
Equity attributable to owners of the Company		
Share capital	99,829	99,829
Reserves (a)	1,587,645	1,652,765
Accumulated losses (a)	(33,648)	(19,671)
Total equity	1,653,826	1,732,923
Liabilities		
Non-current liabilities		
Trade and other payables	167,047	–
Total non-current liabilities	167,047	–
Current liabilities		
Trade and other payables	959	10,448
Total current liabilities	959	10,448
Total liabilities	168,006	10,448
Total equity and liabilities	1,821,832	1,743,371

* Less than RMB1,000

The statement of financial position of the Company was approved by the board of directors on 18 March 2022 and was signed on its behalf:

Yang Deyong	Zhu Geying
Executive Director	*Executive Director*

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Accumulated losses	Other reserves
	RMB'000	RMB'000
At 1 January 2021	(19,671)	1,652,765
Losses for the year	(13,977)	–
Dividends	–	(65,120)
At 31 December 2021	(33,648)	1,587,645
At 15 April 2020	–	–
Losses for the year	(19,671)	–
Capital injection	–	326,270
Issue of ordinary shares pursuant to initial public offering	–	1,401,356
Capitalization issue	–	(74,861)
At 31 December 2020	(19,671)	1,652,765

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2021 is set forth below:

	Salaries	Bonuses	Fees	Housing allowance	Contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Yang Deyong (Chief Executive Officer and Joint Chairman)	1,620	2,016	–	40	53	62	3,791
Zhu Geying	900	815	–	40	53	47	1,855
Non-executive Directors							
Cui Hongjie (Joint Chairman) (note (ii))	–	–	–	–	–	–	–
Zhu Xiaoxing (note (ii))	–	–	–	–	–	–	–
Independent Non-executive Directors							
Guo Jie	–	–	250	–	–	–	250
Xue Jun	–	–	250	–	–	–	250
Zhu Lin	–	–	250	–	–	–	250
	2,520	2,831	750	80	106	109	6,396

36 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration of directors and chief executives of the Company for the year ended 31 December 2020 is set forth below:

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

Notes:

(i) In September 2020, Mr. Yang Deyong was appointed as executive director, chief executive officer and joint chairman of the Company and Ms. Zhu Geying was appointed as executive director of the Company. The remuneration of the executive directors in relation to their services rendered for the Group for the period beginning from their appointment to 31 December 2020 amounted to RMB584,000 and RMB344,000 respectively. The emoluments of the executive directors in relation to their services rendered for the Group before their appointment were borne by Sino-Ocean Group, where were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(ii) In September 2020, Mr. Cui Hongjie was appointed as non-executive director and joint chairman of the Company. In April 2020, Mr. Zhu Xiaoxing was appointed as director of the Company, and in September 2020, he was re-designated as non-executive director of the Company. The emoluments of the non-executive directors in relation to their services rendered for the Group for the years ended 31 December 2021 and 2020 were borne by Sino-Ocean Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

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

36 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) There were no retirement benefits paid to or receivable by directors during the year ended 31 December 2021 by defined benefit pension plans operated by the Group (2020: nil).

(c) There were no director's termination benefits subsisted during the year ended 31 December 2021 (2020: nil).

(d) There was no consideration provided to third parties for making available directors' services subsisted during the year ended 31 December 2021 (2020: nil).

(e) During the year ended 31 December 2021, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors of the Company or of any its holding companies, or bodies corporate controlled by and entities connected with such directors (2020: nil).

(f) During the year ended 31 December 2021, there were no significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the year ended 31 December 2021 or at any time during the year ended 31 December 2021 (2020: nil).

37 SUBSEQUENT EVENT

Pursuant to certain share purchase agreements signed by the Group and certain third parties in December 2021, the Group will purchase 51% and 100% of issued shares of two target companies with the cash consideration of RMB31,350,000 and RMB50,000,000, respectively. The target companies are primarily engaged in the provision of property management services in Zhengzhou and Dalian.

As at the date of the consolidated financial statements approved for issue, the share purchase of the property management company in Zhengzhou has been completed while the share purchase of the property management company in Dalian is expected to be completed in first half of 2022.

FIVE-YEAR FINANCIAL SUMMARY

	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,965,559**	2,023,319	1,829,575	1,610,309	1,213,028
Gross profit	**824,835**	511,301	376,679	322,997	251,346
Profit attributable to owners of the Company	**439,020**	257,634	206,504	137,153	104,168
Total assets	**3,828,344**	3,092,372	4,156,943	4,339,032	1,254,196
Total liabilities	**1,394,216**	1,041,067	3,716,677	3,809,147	881,394
Equity attributable to owners of the Company	**2,402,283**	2,028,383	417,938	500,942	365,028
Total equity	**2,434,128**	2,051,305	440,266	529,885	372,802

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