遠洋服務
SINO-OCEAN SERVICE

2022
Interim
Report

SINO-OCEAN

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

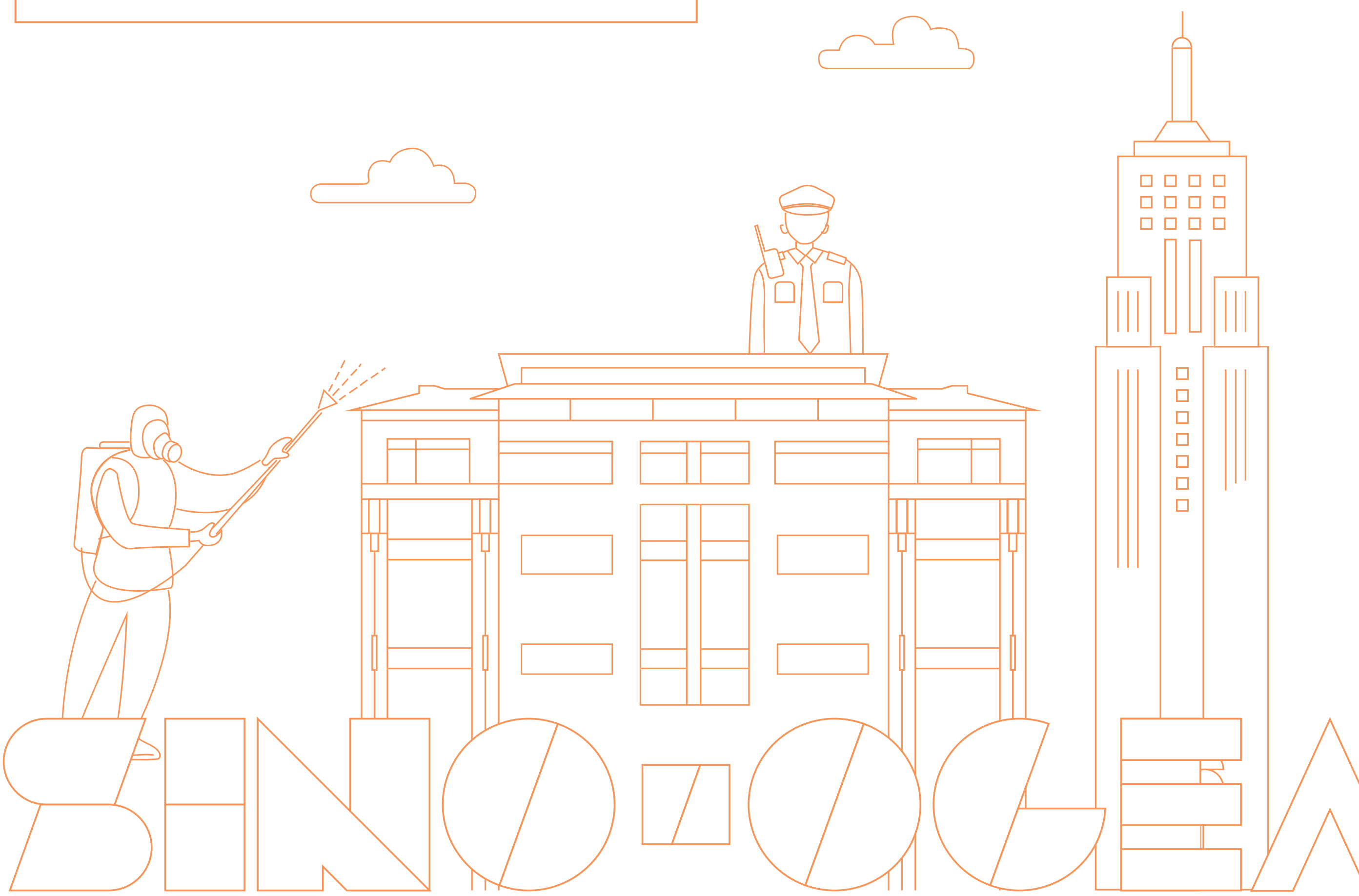
CONTENT

CORPORATE OVERVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. According to China Index Academy, in terms of overall strength in 2021, we were honored "12th in the Top 100 Property Management Companies in China in 2022", "2022 China Leading Property Management Companies — high-end properties", "2022 China Property Service Capability Exceptional Companies in terms of shopping malls", and "2022 China Property Service Capability Exceptional Companies in terms of office buildings".

Contracted GFA of
121.5
million sq.m.

GFA under management of
79.4
million sq.m.



Our history can be traced back to 1997 when we commenced property management services with an initial focus on properties developed by Sino-Ocean Holding, 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 305 subsidiaries and branch offices across 24 provinces, autonomous regions and municipalities in China as at 30 June 2022.

As of 30 June 2022, our total contracted GFA reached 121.5 million sq.m., covering 84 cities across 24 provinces, autonomous regions and municipalities in China, and we managed 392 properties in China with a total GFA under management of 79.4 million sq.m., including 235 residential communities, 48 commercial properties and 109 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.

235
Residential communities

48
Commercial properties

109
Other properties

GEOGRAPHIC COVERAGE

The table below illustrates the major cities in China where our contracted properties and properties under management were located as at 30 June 2022:

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

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

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

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

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

65+ Beijing

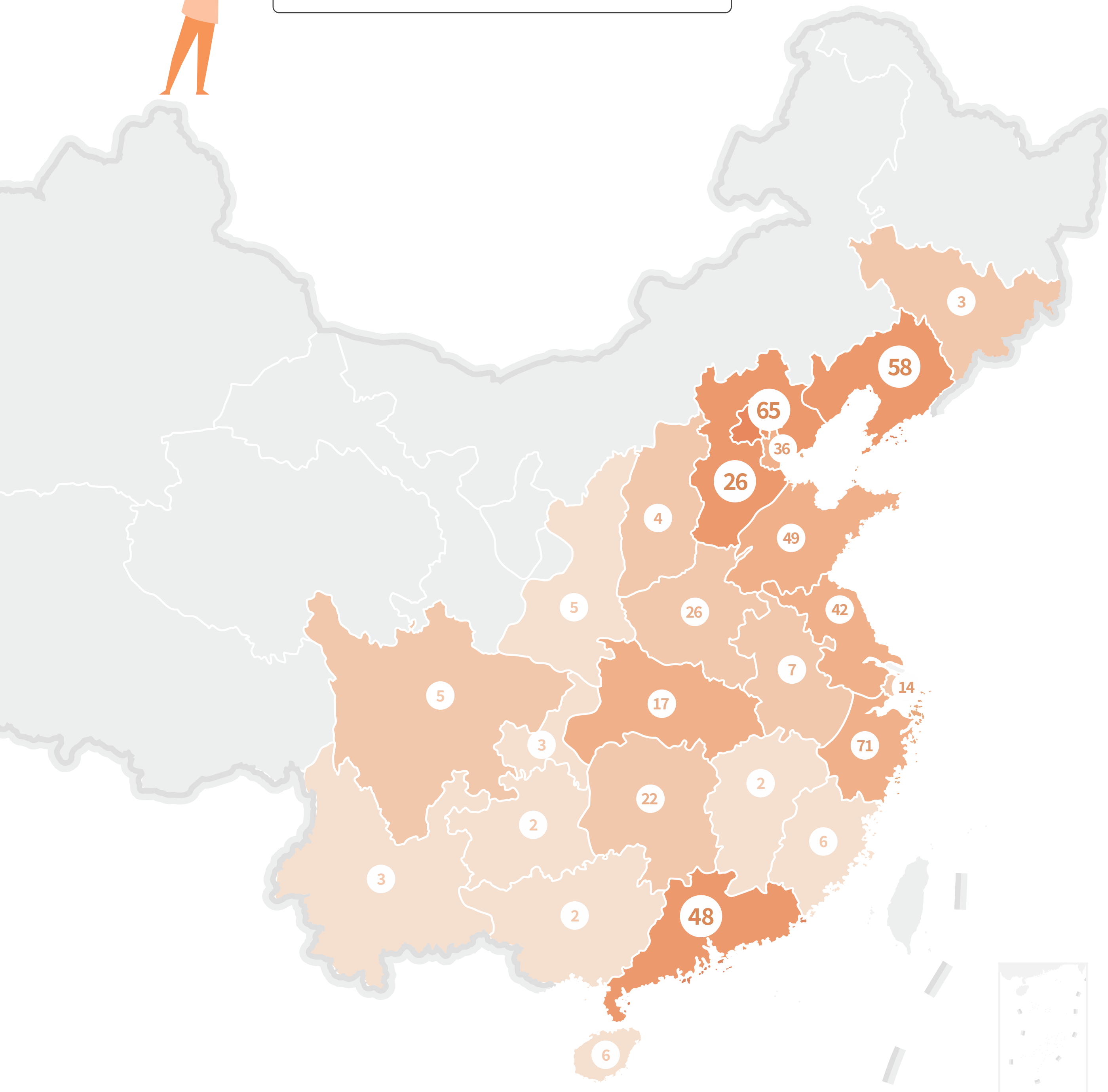
Properties under management (including commercial operations)

- Shopping malls
- Office buildings
- Residential communities and others

The map below illustrates geographic coverage of the Group's contracted GFA and number of property management projects as at 30 June 2022:

Contracted GFA (million sq.m.)

< 1 ≥1 to <5 ≥5 to <10 ≥10



CORPORATE INFORMATION

The corporate information of the Company as of the Latest Practicable Date is set out below:

Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Dr. GUO Jie
Mr. HO Chi Kin Sammy
Mr. LEUNG Wai Hung

Audit Committee

Mr. LEUNG Wai Hung (Chairman)
Mr. CUI Hongjie
Mr. ZHU Xiaoxing
Dr. GUO Jie
Mr. HO Chi Kin Sammy

Nomination Committee

Mr. YANG Deyong (Chairman)
Mr. CUI Hongjie
Dr. GUO Jie
Mr. HO Chi Kin Sammy
Mr. LEUNG Wai Hung

Remuneration Committee

Mr. HO Chi Kin Sammy (Chairman)
Mr. YANG Deyong
Dr. GUO Jie

Company Secretary

Mr. SUM Pui Ying

Authorized Representatives

Mr. YANG Deyong
Mr. SUM Pui Ying

Registered Office

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

Principal Place of Business

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

Suite 601, One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

(in alphabetical order)
Agricultural Bank of China, Ltd.
Bank of China (Hong Kong) Limited
Bank of China Limited
China Everbright Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
CMB Wing Lung Bank Limited
Mizuho Bank, Ltd.
Shanghai Pudong Development Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisor

Norton Rose Fulbright Hong Kong

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 Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 06677

Company Website

http://www.sinooceanservice.com

Investor Relations Contact

ir@sinooceanservice.com

FINANCIAL AND OPERATIONAL SUMMARY

CONSOLIDATED RESULTS

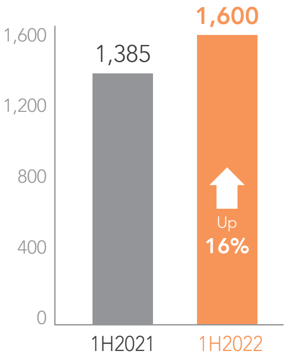
(RMB million)	Six months ended 30 June 2022 (Unaudited)	2021 (Unaudited)	Changes
Revenue	1,600	1,385	16%
Gross profit	429	441	−3%
Gross profit margin (%)	27%	32%	−5pts
Profit for the period	269	264	2%
Net profit margin (%)	17%	19%	−2pts
Profit attributable to owners of the Company	267	261	2%
Core profit	272	271	—*
Core profit margin (%)	17%	20%	−3pts
Basic and diluted earnings per Share (RMB)	0.23	0.22	5%
Interim dividend per Share (RMB)	0.136	—	N/A

* Below 1%.

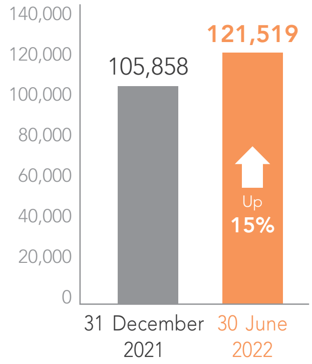
CONSOLIDATED FINANCIAL POSITION

(RMB million)	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	Changes
Total assets	4,219	3,828	10%
Total equity	2,607	2,434	7%
Equity attributable to owners of the Company	2,559	2,402	7%
Cash and cash equivalents	2,474	2,527	−2%
Current ratio (times)	2.5	2.6	−4%

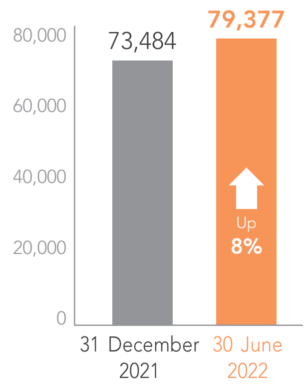
Revenue
(RMB million)



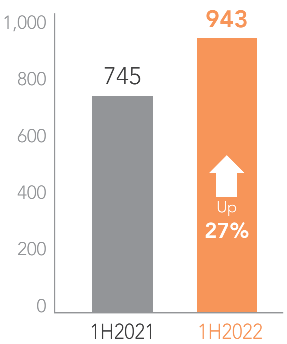
Contracted GFA
('000 sq.m.)



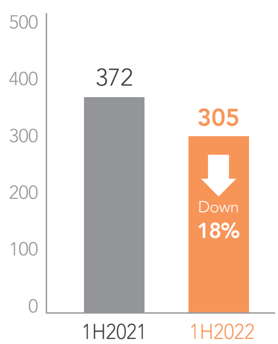
GFA under management
('000 sq.m.)



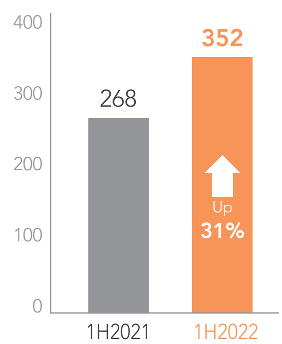
Revenue from property management and commercial operational services
(RMB million)



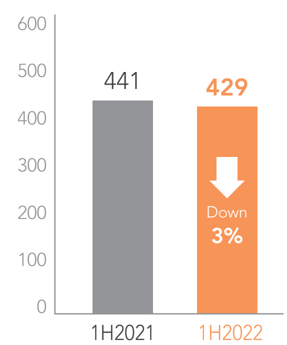
Revenue from community value-added services
(RMB million)



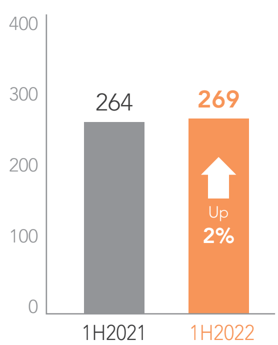
Revenue from value-added services to non-property owners
(RMB million)



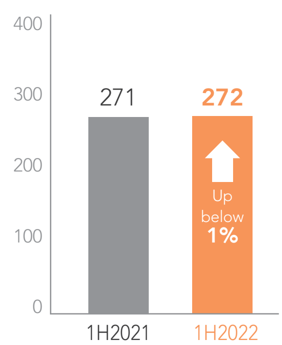
Gross profit
(RMB million)



Profit for the period
(RMB million)



Core profit
(RMB million)



CHAIRMAN'S STATEMENT

On behalf of the Board, I have the pleasure to present the interim results of the Group for the six months ended 30 June 2022.

MARKET REVIEW

As an important component in basic governance, property management is becoming increasingly prominent in promoting social development and satisfying people's needs for a better life. Relevant state departments have kept announcing policies supporting the development of property management enterprises. Recurrence of the pandemic encouraged widespread recognition of the social value and significance of the enterprises providing the services. Since the beginning of 2022, through announcing policies regulating and promoting property management in its role in basic governance, the state has been opening up service areas continuously. Enterprises are encouraged to participate in pandemic prevention and control, elderly and child-care, residential facilities and renovation of debilitated communities. In March 2022, the *Report on the work of the Government* delivered at the Fifth Session of the 13th National People's Congress mentioned numerous areas for expansion for property management enterprises including innovation and improvement of basic social governance, fortification of community service functions, construction of more facilities for elderly and child-care, upgrading elderly care services in both urban and rural areas, and provision of social support for elderly care. As the pandemic recurred in the first half of the year, property management enterprises actively helped to fight the pandemic during lockdown. Their interaction and coordination with people-facing government offices and the general public immensely raised respect and recognition for these enterprises in society.

In the first half of 2022, we adhered to our original aspiration of serving and persevered with sustainable and quality growth by continually raising service quality, seeking new management prowess and exploring growth potentials. We were steadfast in our goal of becoming a branded superior integrated property management service provider in China and achieved quality growth in scale and in performance during the period.

2022 INTERIM RESULTS

For the six months ended 30 June 2022, our Group's revenue was RMB1,600.3 million, up approximately 16% YoY. Gross profit was RMB428.5 million, down approximately 3% YoY. Net profit was RMB269.5 million, up approximately 2% YoY. Gross profit margin and net profit margin reached approximately 27% and 17%, respectively. Profit attributable to owners of the Company rose from RMB261.3 million in the same period in 2021 to RMB266.7 million, up approximately 2% YoY. Basic earnings per Share was RMB0.23, up RMB0.01 YoY.

Focused on favorable districts and principal business, maintained intensive cultivation for quality expansion

We remained steadfast in intensive cultivation in an increasingly competitive market. We continued to penetrate favorable districts on the core economic belt. We built up sound resource reserves through investing in benchmark projects of our principal business that generated substantial revenues, high profitability and had potential for integration. We streamlined our operational management continually and optimised the full-cycle management mechanism to raise returns on projects, forming a virtuous circle from decision to post-investment management for long-term and stable growth. We kept up our efforts in reinforcing our capabilities in expansion, making adjustments in strategies and standards in line with market conditions with a view to shaping an elite team and honing their efficiency, and raising control and conversion level of projects. We successfully secured numerous major projects by consolidating internal and external resources and establishing strategic partnerships of resources with important clients to bring in a continuous flow of resources. By giving ample empowerment to our subsidiaries to make market-oriented segmentation of business, we expanded our business into hospitals through Shandong Liantai Property Service Co., Ltd.* (山東聯泰物業服務有限公司) and Zhejiang Yuanou Property Management Co., Ltd.* (浙江遠甌物業管理有限公司). We actively promoted our services to other public utilities and secured contracts with numerous projects of high caliber. Through market-oriented expansion we reinforced regional project density, optimised location distribution and laid a solid foundation for further expansion of various businesses. During the period, the Group's property management services covered a contracted GFA of 121.5 million sq.m., approximately 47% and 15% more than that of 30 June 2021 and 31 December 2021, respectively. GFA under management was 79.4 million sq.m., increased by approximately 37% and 8% from 30 June 2021 and 31 December 2021, respectively. An additional contracted GFA of 14.0 million sq.m. came from third party contracts. Accumulated contracted GFA from third parties reached 63.1 million sq.m., representing approximately 52% of the total contracted GFA. These contracts covered residential and commercial premises, offices, schools, hospitals, industrial parks, logistics parks, internet data centers, government buildings and urban spaces.

Promoted two-dimensional growth of value-added services, strengthened core value of business

As regards community value-added services we fully understood property owners' core concern and service needs. We continued to consolidate our four major businesses (community living, leasing and sale, home decoration, resources from community space) while exploring other multi-dimensional community value-added services. During the period, community value-added services generated revenue of RMB304.7 million. For community living, we continued to enrich online service tools and offline service scenarios to satisfy owners' family needs. We optimised supply chain resources and product quality; improved product line for domestic service; planned senior living; incubated food and beverage supplies, education and travel services. For leasing and sale, we continued to consolidate standardised management and system building, promote transactions through staff interaction and performance benchmarking. As regards home decoration, we continued to promote services productization, personalizing them to match owners' household needs through high-quality suppliers. For resources from community space, we continued to optimise our resource management and business systems, refine procedures to raise operating values and control risks.

For value-added services to non-property 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 prominent core competitive edge in property engineering services. The firm maintained speedy growth in these services with increased revenue. For intelligent services, Beijing Yingwei Technology Service Co., Ltd.* (北京應維科技服務有限公司) (a joint venture established by the Group and Beijing Intelligent Building Technology Co., Ltd.* (北京智能建築科技有限公司)) was set up as a smart service platform, using property service space as a base for the aggregation, management and application of property data, at the same time sharing urban population information to help the authorities in social order and security, and to enable streamlined property management and services for good living for residents. Numerous benchmark projects were secured during the period.

Integrated management raised quality and efficiency, consolidated core competitiveness of commercial properties

In the period, we actively consolidated commercial operational and property management services, and rolled out the pilot integrated model for property management. Project response rate and service quality were improved and overall operating efficiency of projects was raised. The pilot will be expanded to replicate the success experience. In view of the recurrence of the pandemic in the first half of the year, we adopted a multitude of operating measures for shopping malls. We enhanced online sales tools and channels to propel traffic in the private domain. For offline business, we adjusted sales and marketing concept in line with customers' new attitudes and trends to encourage sales volume in shopping malls, demonstrating our operational resilience. We improved operating efficiency through enhanced digital sales tools, enabling precise access through optimised member data center. We continued to explore new and practicable channels and modes to successfully raise both traffic and sales volume in shopping malls. Occupancy of projects under management reached 91% on average. For office buildings, using the existing asset management system we conducted surveys and analyses based on the life cycle of the projects and clients' major concerns, then proceeded to upgrade and make good the premises accordingly. We also provided personalized upgrades to meet various needs to maintain the value of the projects. This elevated clients' satisfaction, stickiness and tenancy renewal rate, achieving a 10 pts rise in occupancy of office buildings during the period from the end of 2021. We upgraded our standard and strategy of city selection repeatedly according to light asset market needs, and focused on providing high value asset management services to strong and reputable clients.

During the period, our commercial property management maintained healthy growth. Contracted GFA and GFA under management reached 7.4 million sq.m. and 4.5 million sq.m., respectively, up approximately 7% and 20% YoY, respectively. Guided by intensive cultivation we focused on services for mid to high-end commercial properties. We built up different level of service standards for commercial properties and continually streamlined management. Adhering to the principle of sustainability we constantly improved and optimised operating efficiency of equipment and facilities. We strived to provide a clean, comfortable and environmentally friendly work and shopping space for owners through innovative management and advanced technology.

Persevered with refined operation, served with an artisan's spirit for sustainable expansion

We endeavoured to provide enhanced value-added service experience to owners through refined operation and service quality upgrade, raise their satisfaction level continually and achieve prosperity for both owners and the enterprise. We analysed thoroughly current owners' and customers' actual situation and needs, and combined with research on property management policies, spending habits and users' concept in different locations, we provided sustainable, substantial and cost-effective products and services. To meet the needs for business expansion, we continued to optimise our staff selection mechanism. We provided differentiated training, appraisal and incentive schemes to employees at different levels with different duties to assist them to realise their values. Through consolidating human resources at headquarters and in various locations we practised internal flat management, further raised management efficiency and contact intensity. We also examined various service scenarios and standardized our management system. The announcement of the latest internal 'white paper on service standards' strengthened front-line employees' service awareness and techniques, and laid a solid foundation for raising service quality and augmenting satisfaction level.

OUTLOOK FOR THE SECOND HALF OF 2022

Despite under internal and external pressures, as the social value and significance of property management enterprises are recognized and as the real estate market recovers moderately, the industry is still growing in scale and there is still considerable room for industry concentration. Property management enterprises of a high caliber still enjoy a vast market prospect. To grasp the opportunity to establish an edge among competitors we must be good at the basics, which means we will always serve customers with an artisan's spirit and always persevere with intensive cultivation.

In the second half of 2022, the Group will remain firmly focused on sustainable and quality development. Through high quality services, we will consolidate our foundation for sustainable growth and continue to refine operation in breadth, depth and sophistication. We will remain loyal to our original aspiration to perfect our principal business of service, place client satisfaction at top priority, raise management efficiency, continue to leverage regional and brand advantages, and grasp potential business opportunities to expand. We are determined to practice intensive cultivation, fortify the operating system, cost control system and build incentive system for employees to keep up with the continual changes in the industry and the needs of the enterprise itself. We will continue to reinforce our professional capabilities and internal synergy to augment management prowess on a large scale. We will uphold the principle of sustainability and focus on raising service capabilities, explore sustainable, substantial and profitable service offerings, and use digitalization and informatization to promote cost-effectiveness. With a strategic vision of becoming a branded superior integrated property management service provider in China, we will forge ahead on the path of sustainable and high quality 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, 30 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

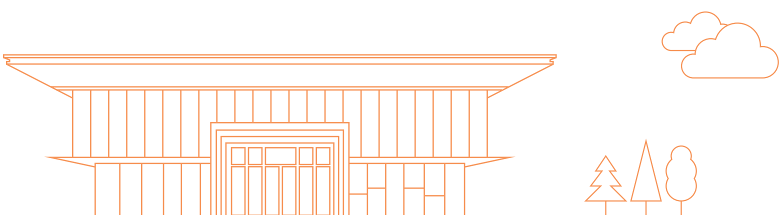
A discussion and analysis of the Group for the six months ended 30 June 2022 is set out below:

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. The property management and commercial operational services segment comprises 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 and commercial operational services


Community value-added services
Value-added services to non-property owners

Property management and commercial operational services

For the six months ended 30 June 2022, the Group's revenue from property management and commercial operational services amounted to RMB943.5 million, accounting for approximately 59% 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:

	Six months ended 30 June			
	2022		2021	
	Revenue (RMB'000)	%	Revenue (RMB'000)	%
Property management services on residential and other non-commercial properties	666,276	71	538,083	72
Commercial operational and property management services on commercial properties	277,256	29	206,464	28
Total	943,532	100	744,547	100

Driving growth in scale in a multi-pronged effort and expanding service regime through diversification. As at 30 June 2022, the Group had 522 contracted property management projects for various business types with contracted GFA and GFA under management of 121.5 million sq.m. and 79.4 million sq.m., respectively, growing by approximately 47% and 37%, respectively, as compared to 30 June 2021. During the period, the Group continued to expand its business scale through multiple channels, such as tendering, merger and acquisition, joint venture and strategic cooperation, while consistently expanding a diverse servicing regime covering schools, hospitals, industrial parks, logistics parks, internet data centers, government facilities and urban spaces on top of residential properties, as well as actively participating in integrated urban operational services and smart city development.

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

	As at 30 June	
	2022	2021
Contracted GFA ('000 sq.m.)	121,519	82,636
Number of projects relating to contracted GFA	522	389
GFA under management ('000 sq.m.)	79,377	57,791
Number of projects relating to GFA under management	392	281

In-depth operations in advantageous regions as independent market development capabilities continued to grow. During the period, the Group was engaged in in-depth operations in advantageous regions and continued to enhance its independent market development ability by introducing strategic resources, creating benchmark projects and increasing performance-based incentives. For the first half of 2022, the percentage share of third parties in the contracted GFA of the Group increased substantially to approximately 52%, with third parties accounting for approximately 70% of our newly added contracted GFA.

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

	As at 30 June							
	2022				2021			
	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)	58,402	48	46,219	58	50,396	61	39,160	68
Properties developed/ owned by other third parties[Note]	63,117	52	33,158	42	32,240	39	18,631	32
Total	121,519	100	79,377	100	82,636	100	57,791	100

Note:
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 (including its joint ventures and associates).

As at 30 June 2022, our projects covered 84 cities across 24 provinces autonomous regions and municipalities in China. Our geographical presence covered 5 major city clusters, including Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China region, Southern China region and Central and Western China region. We have significant regional advantages in Beijing-Tianjin-Hebei region and Bohai Rim region, while gradually increasing our proportionate share in the Eastern China region, Southern China region and Central and Western China region. As at 30 June 2022, Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China region, Southern China region and Central and Western China region accounted for approximately 35%, 23%, 18%, 11% and 13%, respectively, of our GFA under management.

The table below sets forth a breakdown of the contracted GFA and GFA under management as at the dates indicated by geographic location:

	As at 30 June					
	2022			2021		
	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	GFA under management %	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	GFA under management %
Beijing-Tianjin-Hebei region[1]	42,234	27,727	35	23,973	17,711	31
Bohai Rim region[2]	25,683	18,175	23	21,093	16,657	29
Eastern China region[3]	19,022	14,471	18	11,437	8,217	14
Southern China region[4]	17,552	8,717	11	13,553	8,298	14
Central and Western China region[5]	17,028	10,287	13	12,580	6,908	12
Total	121,519	79,377	100	82,636	57,791	100

Notes:
1) "Beijing-Tianjin-Hebei region" refers to cities or municipalities including Beijing, Tianjin, Shijiazhuang, Qinhuangdao and Langfang, etc.
2) "Bohai Rim region" refers to cities including Dalian, Qingdao, Shenyang, Jinan, Linyi, Changchun, Fushun and Taiyuan, etc.
3) "Eastern China region" refers to cities or municipalities including Hangzhou, Wenzhou, Shanghai, Zhenjiang, Suzhou, Nantong, Nanjing, Wuxi, Wuhu and Ningbo, etc.
4) "Southern China region" refers to cities including Zhongshan, Shenzhen, Zhanjiang, Nanning, Foshan, Heyuan, Guangzhou, Maoming, Sanya and Huizhou, etc.
5) "Central and Western China region" refers to cities or municipalities including Wuhan, Changsha, Zhengzhou, Xi'an, Chengdu, Chongqing, Kunming, Hefei and Kaifeng, etc.

The Group's property management projects are mainly concentrated in first-tier and second-tier cities such as Beijing, Tianjin, Hangzhou and Wuhan. First-tier and second-tier cities accounted for approximately 88% 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 projects were primarily located as at 30 June 2022 according to the city classification by China Business Network in 2022:

	Contracted GFA		GFA under management	
	('000 sq.m.)	%	('000 sq.m.)	%
First-tier cities	18,157	15	16,074	20
New first-tier cities	30,868	25	21,913	28
Second-tier cities	43,438	36	31,596	40
Other cities	29,056	24	9,794	12
Total	121,519	100	79,377	100

Staying focused on principal servicing business to enhance service quality and achieve qualitative and sustainable development. During the first half of 2022, we have focused on our principal servicing business and persisted in providing meticulous services to users to enhance differentiated competitive edges and achieved qualitative and sustainable development. Based on the substance of our existing jobs and key indicators, we have reshuffled the butler regime and focused on the grooming of high-calibre butlers through tiered ratings and rules and replication of their management experience in the entire butler team. Featured activities such as "Operation Spring Breeze" and "Production Safety Month" were organised to improve project environment and facilities and equipment on all fronts, with a view to enhancing communal quality and customer experience. The nationwide "Neighbourhood+" community initiative was implemented to foster a friendly and healthy neighbourhood ambience and a warm and pleasant community culture that would enhance communal solidarity. During the recurring outbreaks of the COVID-19 pandemic, the Group acted swiftly in vigorous response to arrange and plan for the anti-epidemic tasks at projects under lockdown, where our staffers were on duty on a round-the-clock basis to assist in the completion of polymerase chain reaction (PCR) tests and checking of residents, on-site disinfection, delivery of supplies and distribution of anti-epidemic gift packs, in an effort to safeguard owners' health and safety through multiple measures that has won the recognition and appreciation of the community and the owners.

Property management services on residential and other non-commercial properties

As at 30 June 2022, the contracted GFA and GFA under management of the Group's residential and other non-commercial property management projects were 114.1 million sq.m. and 74.9 million sq.m., respectively, growing by approximately 51% and 39%, respectively, as compared to that of 30 June 2021. There were 461 contracted property management projects in aggregate, representing an approximately 37% growth as compared to that of 30 June 2021.

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

	As at 30 June	
	2022	2021
Contracted GFA ('000 sq.m.)	114,109	75,737
Number of projects relating to contracted GFA	461	336
GFA under management ('000 sq.m.)	74,861	54,017
Number of projects relating to GFA under management	344	246

Commercial operational and property management services on commercial properties

For the six months ended 30 June 2022, the Group's revenue from commercial operational and property management services on commercial properties amounted to RMB277.3 million, growing by approximately 34% as compared to the corresponding period of last year.

Enhancing quality through tiered services and procuring cost reduction and efficiency enhancement through intelligentisation. As at 30 June 2022, the contracted GFA and GFA under management of the Group's commercial property management service projects were 7.4 million sq.m. and 4.5 million sq.m., respectively, growing by approximately 7% and 20%, respectively, as compared to that of 30 June 2021. First-tier and second-tier cities accounted for more than 99% of our GFA under management and average property management fee was RMB13.16/sq.m./month. In connection with commercial property projects, the Group acquired accurate understanding of customers' needs by way of in-person visits and other means and optimised the model of tiered services based on customers' needs and details of business sub-segments. Through a systematic and standardised appraisal regime, servicing actions were regularised and customers' demands were addressed in a timely manner to enhance service satisfaction. At key projects, smart facilities management was implemented with the aid of intelligentisation to reduce operating and maintenance cost and consistently enhance the quality and operating efficiency of projects.

Digital empowerment and delicacy management underpinning ongoing enhancement in servicing and operating capability. During the period, the Group played to the advantage afforded by its commercial asset management platform and consistently enhanced its project quality and profitability through digitally-empowered marketing and detailed cost control. In connection with commercial tenant solicitation and operation, we continued to develop novel brands and substantiate our strategic brand alliances, while seeking to stimulate private traffic through the application of digital marketing tools, membership communities and online mall livestreaming, among others. Leveraging popular interests such as camping and outdoor sports, new hotspots for marketing were created in an effective enhancement of offline customer flow. Our interactive marketing system enabled consolidation of membership data and accurate reach to customers' needs based on members' portraits, as members' activities were organised accordingly to increase customer stickiness. In the meantime, business rules and implementation standards were elucidated to strengthen cost control and facilitate measurable cost management, thereby enhancing delicacy operation and management of the projects and utilisation efficiency of cost and expenses.

Shopping malls

For the six months ended 30 June 2022, the Group's revenue from commercial operational and property management services for shopping malls amounted to RMB160.8 million, growing by approximately 28% compared to the corresponding period of last year.

As at 30 June 2022, the Group provided commercial operational services to 8 shopping malls in operation and 4 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 and Wuhan. 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 details of the contracted GFA and GFA under management of our shopping mall projects as at the dates indicated:

	As at 30 June	
	2022	2021
Property management services		
Contracted GFA ('000 sq.m.)	5,754	5,144
Number of projects relating to contracted GFA	37	30
GFA under management ('000 sq.m.)	2,980	2,207
Number of projects relating to GFA under management	25	14
Commercial operational services[Note]		
Contracted GFA ('000 sq.m.)	934	N/A
Number of projects relating to contracted GFA	12	N/A
GFA under management ('000 sq.m.)	591	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.

Office buildings

For the six months ended 30 June 2022, the Group's revenue from commercial operational and property management services for office buildings amounted to RMB116.5 million, growing by approximately 43% compared to the corresponding period of last year.

As at 30 June 2022, the Group provided commercial operational services to 12 office buildings and 3 projects pending operation with a total contracted GFA of 1.2 million sq.m., including 4 external projects, which were located in Beijing and Shanghai, from third parties.

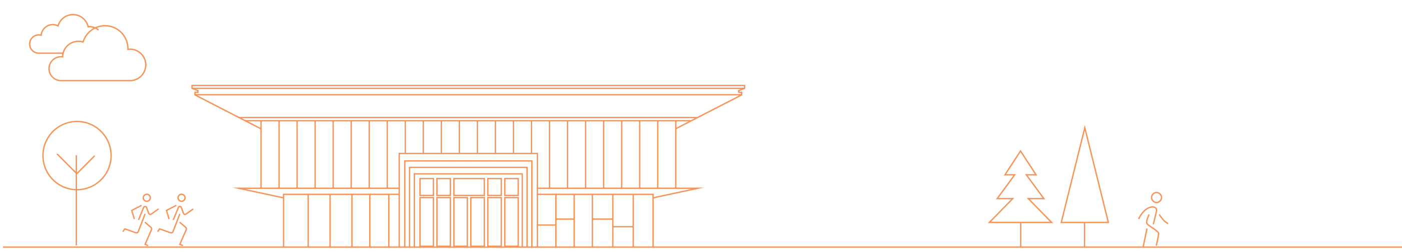
The table below sets forth details of the contracted GFA and GFA under management of our office projects as at the dates indicated:

	As at 30 June	
	2022	2021
Property management services		
Contracted GFA ('000 sq.m.)	1,656	1,755
Number of projects relating to contracted GFA	24	23
GFA under management ('000 sq.m.)	1,536	1,567
Number of projects relating to GFA under management	23	21
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.

Community value-added services

Staying focused on principal business areas to expand and enhance value-added services. For the six months ended 30 June 2022, revenue from community value-added services amounted to RMB304.7 million, decreasing by approximately 18% compared to the corresponding period of last year owing to the pandemic and accounting for approximately 19% of the Group's total revenue. During the first half of 2022, we focused on the four business focuses of "community living, leasing and sale, home decoration and resources from community space" to identify core value and expand and enhance our principal business. In connection with community living services, the "Ocean Homeplus U-select" online mall was optimised, as improvements to the vendors' end and membership system function, as well as offline group order and business-end procurement scenarios were made. An incentive mechanism has been formulated to drive conversion to sales and comprehensive marketing capabilities have been initially developed, while special activities with festive themes have been organized. In connection with lease and sales services, we have established 40 physical stores nationwide. Customers' needs are accurately identified through coordination with the principal business, while standardised management was reinforced to forge key benchmark projects. Regarding home decoration services, marketing competence has been enhanced through the application of standardisation tools and the activity implementation guide while the supervision checklist for key-point actions has also been improved. Service precision has been optimised and supplier resources have been replenished in a more specific manner according to the actual categories required, while we have continued to engage premium vendors. In terms of resources from community space, we have continued to bring in premium resources and implement dynamic management of strategic suppliers, while planning ahead for resources to effectively enhance the efficiency of resource utilisation.



Exploring replicable new business model to improve the value-added service ecosystem. With the benefit of policy support, we have actively endeavoured to build a replicable business model for novel businesses such as community retirement to further improve the ecosystem of our value-added services. During the first half of 2022, we vigorously implemented businesses relating to community retirement services under the guidance of Beijing Municipal Civil Affairs Bureau and other relevant government authorities, while continuing to improve the contents and standards of the service to explore a replicable business model. Meanwhile, we have upgraded our one-stop asset service through the establishment of the "Zhimei Living Experience Mall", as we provided packaged solutions integrating purchase, decoration, lease and other comprehensive services according to owners' requirements. Recommendations based on customers' experience of quality services have effectively enhanced the conversion rates of related businesses.

The following table sets forth a breakdown of our revenue generated from community value-added services by service types for the six months ended 30 June 2022 and 2021, respectively:

	Six months ended 30 June			
	2022		2021	
	(RMB'000)	%	(RMB'000)	%
Community asset value-added services[1]	156,524	52	183,347	49
Community living services[2]	98,073	32	83,774	23
Property brokerage services[3]	50,092	16	104,633	28
Total	304,689	100	371,754	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 for home appliances and electric equipment, 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

Increasing scale and presence through strategic cooperation and achieving cost reduction and efficiency enhancement with the aid of the technology platform. For the six months ended 30 June 2022, revenue from value-added services to non-property owners amounted to RMB352.1 million, growing by approximately 31% as compared to the corresponding period of last year and accounting for approximately 22% of the Group's total revenue. On the back of our technical edge and brand advantage in engineering maintenance and intelligent service, we continued to explore in-depth and extensive strategic cooperation with large-scale corporate customers and enhanced the scale and intensity of management in key business segments and key regions. Ongoing improvements have been made to the engineering maintenance technology platform founded on "Yi Maintenance", as work efficiency has been enhanced and labour cost lowered through smart matching and allocation of maintenance orders.

Business model underpinned by "one body, two wings" coming into shape to facilitate technology-empowered smart city development. Beijing Yingwei Technology Service Co., Ltd.* (北京應維科技服務有限公司, "Yingwei Technology"), a joint venture established by the Group and its business partner, Beijing Intelligent Building Technology Co., Ltd.* (北京智能建築科技有限公司, "Beijing Intelligent Building"), a smart building service provider for the Beijing Winter Olympics, has initially developed a business model of "one body, two wings" through product research and development and supply-chain integration. "One body" refers to the "smart energy service", while "two wings" refer to "smart property SaaS software service" and "smart community intelligent integration service". During the period, Yingwei Technology was engaged in intensive cooperation with Beijing Intelligent Building to undertake and implement a number of intelligent upgrades and conversion projects to assist in smart city development on the back of technologies such as "Internet of Things, digital twin, big data and AI algorithm".

The following table sets forth a breakdown of our revenue generated from value-added services to non-property owners by service types for the six months ended 30 June 2022 and 2021, respectively:

	Six months ended 30 June			
	2022		2021	
	(RMB'000)	%	(RMB'000)	%
Pre-delivery services[1]	107,062	31	90,156	34
Consultancy services[2]	106,973	30	66,349	25
Property engineering services[3]	138,022	39	111,795	41
Total	352,057	100	268,300	100

Notes:

1) Mainly represents on-site services to offer pre-delivery services to property developers, such as assistance for their sales and marketing activities at property sales venues and display units, so as to create high-quality service brands for property developers among potential property buyers.
2) Mainly represents consultancy services to property developers at an early stage of their property development on the overall planning of properties and coordination of their relevant pre-sale activities to avoid possible planning issues and reduce development and construction costs as well as operation and management costs at the later stage.
3) Mainly represents property engineering services to property developers and other property management companies, including engineering, greening, gardening, repair and maintenance of residential communities and non-residential properties, equipment operation and maintenance and the upgrade of smart security systems.

Future development plans

Enhancing service quality and economic efficiency to achieve qualitative, sustainable development.

We will stay focused on our principal servicing business and persist in providing meticulous services to users based on customers' needs and rigorous implementation of service standards to enhance service quality and customer satisfaction on an ongoing basis and achieve qualitative, sustainable development. Based on actual scenarios and customers' needs, we will sort out details of the operating conditions of various projects and specify responsible personnel and key sections, with a view to enhancing the scope and depth of delicacy management on a continuous basis and improving the operating efficiency of our projects under management. Service standards will be promoted and taught through drilling, service guidance and sharing of exemplary cases, so as to drive the improvement of service standards. The professionalism of various services will be enhanced through adjustments to the operating process and optimisation of staff deployment based on detailed task allocation.

Intensive development of advantageous regions and key business lines to drive large-scale development of core businesses and explore the experience of product and diverse service integration.

We will continue to focus on core cities within regions where we hold an advantage and increase the density of our projects in key regions. Meanwhile, on top of our focused principal business lines of residential and commercial properties, we will seek complementary businesses with sectors that offer synergy, such as hospitals, schools, government offices and industrial parks, and step up with cooperation with strategic customers to consistently drive rapid expansion of our essential property management services. At the same time, we will expand our existing community value-added services in terms of depth and scope, driving large-scale development of our core community value-added services underpinned by improved capabilities in product, service and promotion. We will enhance our ability to plan for and implement innovative businesses, while exploring the experience of product and diverse service integration. In connection with the principal businesses, we will enhance our "product capability" by optimising our product mix and evaluation regime, our "servicing capability" by fulfilling the differentiated requirements of owners, and "promotional capability" by differentiated reach and penetration for all scenarios, thereby expanding our community value-added services in terms of depth and scope. Regarding innovative businesses, we will continue to identify value-added services with good potential, including sub-segments such as community retirement services, tourism, food catering and future education, on the basis of our users, services, scenarios and resources, in order to enhance our ability to plan for and implement innovative businesses and achieve service upgrade through the integration of products and diverse services.

Promoting model of integrated property management in the commercial segment and persisting in empowerment through technology to achieve cost reduction and efficiency enhancement.

We will further consolidate asset management in the commercial segment and implement the model of integrated property management, while enhancing profitability and reducing energy consumption and cost with the benefit of in-depth empowerment through digitalisation and intelligentisation, in order to bolster the core competitiveness of the commercial segment. Based on the characteristics of commercial customers and the changing trends of their demands, we will improve the tiered service products and feature auxiliary services under our essential property management services to enhance project quality, while consolidating the property management and commercial operational teams and resources with streamlined staff delegation and combined appraisal indicators to strengthen cost control and enhance project efficiency. Meanwhile, leveraging further the operating advantage of our commercial asset management platform, we will design marketing activities by applying digital marketing tools, estimates and analyses while optimising our operational and management strategy to enhance the operating efficiency of projects. We will also introduce advanced technologies to continuously improve and optimise the operational effectiveness of equipment to reduce energy cost and noise produced by equipment. Meanwhile, intelligentisation will be implemented at key projects to replace traditional maintenance work done by labour with intelligent maintenance, so as to reduce operating cost.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2022 increased by approximately 16% to RMB1,600.3 million, from RMB1,384.6 million for the six months ended 30 June 2021. 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 59%, 19% and 22% of the Group's total revenue, respectively.

The following table sets forth the breakdown of our total revenue by business lines for the six months ended 30 June 2022 and 2021, respectively:

	Six months ended 30 June			
	2022		2021	
	(RMB'000)	%	(RMB'000)	%
Property management and commercial operational services				
(a) Property management services on residential and other non-commercial properties	666,276	42	538,083	39
(b) Commercial operational and property management services on commercial properties	277,256	17	206,464	15
Sub-total	943,532	59	744,547	54
Community value-added services	304,689	19	371,754	27
Value-added services to non-property owners	352,057	22	268,300	19
Total	1,600,278	100	1,384,601	100

Revenue from property management and commercial operational services for the six months ended 30 June 2022 increased by approximately 27% to RMB943.5 million from RMB744.5 million for the six months ended 30 June 2021, among which, (a) revenue from property management services on residential and other non-commercial properties increased by approximately 24% to RMB666.3 million for the six months ended 30 June 2022 from RMB538.1 million for the six months ended 30 June 2021. The increase was mainly attributable to an increase in our GFA under management, which reached 74.9 million sq.m. as at 30 June 2022 (30 June 2021: 54.0 million sq.m.) with an increase in the number of properties under management to 344 as at 30 June 2022 (30 June 2021: 246), due to our business expansion; and (b) revenue from commercial operational and property management services on commercial properties increased by approximately 34% to RMB277.3 million for the six months ended 30 June 2022 from RMB206.5 million for the six months ended 30 June 2021. The increase was mainly attributable to (i) an increase in our GFA under property management services, which reached 4.5 million sq.m. as at 30 June 2022 (30 June 2021: 3.8 million sq.m.) with an increase in the number of commercial properties under property management services to 48 as at 30 June 2022 (30 June 2021: 35), 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 30 June 2022 (30 June 2021: nil).

Revenue from community value-added services for the six months ended 30 June 2022 decreased by approximately 18% to RMB304.7 million (six months ended 30 June 2021: RMB371.8 million), which was mainly attributable to the decrease in revenue from property brokerage services caused by the downturn trend in the overall PRC real estate market and the severe resurgence of the pandemic.

Revenue from value-added services to non-property owners for the six months ended 30 June 2022 increased by approximately 31% to RMB352.1 million (six months ended 30 June 2021: RMB268.3 million). The increase was mainly driven by (i) revenue from consultancy services which increased by approximately 61% to RMB107.0 million for the six months ended 30 June 2022 from RMB66.3 million for the six months ended 30 June 2021 due to our vigorous promotion and the increase in 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 23% to RMB138.0 million for the six months ended 30 June 2022 from RMB111.8 million for the six months ended 30 June 2021, which was primarily because we vigorously expanded external property engineering projects for the repair and maintenance services and smart management services for property projects during the period.

Cost of sales

In line with the increase in the Group's revenue, cost of sales for the six months ended 30 June 2022 increased by approximately 24% to RMB1,171.7 million from RMB943.4 million for the six months ended 30 June 2021.

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 six months ended 30 June 2022 increased by approximately 25% to RMB390.3 million as compared to RMB311.3 million for the six months ended 30 June 2021, 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 six months ended 30 June 2022 increased by approximately 41% to RMB394.2 million as compared with RMB280.5 million for the six months ended 30 June 2021, which was in line with the increase in the number and scale of the Group's projects under management.

Maintenance expenses and cost of consumables and raw materials increased by approximately 20% and 70% to RMB124.6 million and RMB73.3 million for the six months ended 30 June 2022, respectively, as compared to RMB104.2 million and RMB43.2 million for the six months ended 30 June 2021, respectively, which was in line with the increase in revenue from property engineering services and community living services.

Cost of goods sold increased by approximately 28% to RMB40.5 million for the six months ended 30 June 2022 from RMB31.6 million for the six months ended 30 June 2021 which was in line with the increase in retail sales of commodities due to our business expansion.

Sub-contracting costs for home decoration and property agency services decreased by approximately 61% to RMB14.4 million for the six months ended 30 June 2022 from RMB37.0 million for the six months ended 30 June 2021 which was primarily attributable to the decrease in property brokerage services caused by the downturn trend in the overall PRC real estate market and the severe resurgence of the pandemic.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2022 slightly decreased by approximately 3% to RMB428.5 million from RMB441.3 million for the six months ended 30 June 2021. Our overall gross profit margin for the six months ended 30 June 2022 decreased to approximately 27% from approximately 32% for the corresponding period in 2021 primarily due to (i) the decrease in revenue from community value-added services with a higher gross profit margin caused by the pandemic; and (ii) the decrease in gross profit margin of property management and commercial operational services and community value-added services.

Gross profit and gross profit margin of the Group by business lines for the six months ended 30 June 2022 and 2021 respectively were as follows:

	Six months ended 30 June			
	2022		2021	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Property management and commercial operational services				
(a) Property management services on residential and other non-commercial properties	120,145	18	119,098	22
(b) Commercial operational and property management services on commercial properties	104,284	38	80,910	39
Sub-total	224,429	24	200,008	27
Community value-added services	115,528	38	186,498	50
Value-added services to non-property owners	88,577	25	54,744	20
Total	428,534	27	441,250	32

Gross profit margin for property management and commercial operational services decreased from approximately 27% for the six months ended 30 June 2021 to approximately 24% for the six months ended 30 June 2022. The reduction in gross profit margin was primarily resulted from (i) the increase in costs due to the improvement of service quality; and (ii) additional expenditures incurred on the new projects under integration period.

Gross profit margin for community value-added services decreased from approximately 50% for the six months ended 30 June 2021 to approximately 38% for the six months ended 30 June 2022 which was primarily due to the change in revenue structure of community value-added services (i.e. a decrease in income from property brokerage services with a higher gross profit margin).

Gross profit margin for value-added services to non-property owners increased from approximately 20% for the six months ended 30 June 2021 to approximately 25% for the six months ended 30 June 2022 which was primarily due to an increase in revenue contribution 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 direct cost, in particular, staff cost.

Other income and other losses

Other income comprised (i) government grants; (ii) interest income from bank deposits; and (iii) others. Other income slightly decreased by RMB2.0 million to RMB12.0 million for the six months ended 30 June 2022 from RMB14.0 million for the six months ended 30 June 2021.

We recorded other losses of RMB5.0 million for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB8.0 million) mainly due to net foreign exchange losses of RMB5.2 million.

Operating expenses

Selling and marketing expenses for the six months ended 30 June 2022 increased by RMB2.2 million to RMB8.4 million (six months ended 30 June 2021: RMB6.2 million). This increase was mainly due to the increase in the spending on community activities for promoting our community value-added services.

Administrative expenses for the six months ended 30 June 2022 decreased by approximately 25% to RMB72.9 million as compared to RMB97.5 million for the six months ended 30 June 2021. This decrease was primarily due to the decrease in administrative staff cost of RMB23.1 million resulting from the promotion towards a flat organisation.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by RMB25.3 million to RMB46.3 million for the six months ended 30 June 2022 from RMB21.0 million for the six months ended 30 June 2021, which was mainly attributable to the increase in trade receivables as at period end date due to the market environment impacts such as industry and economic conditions which slowed down the recovery of trade receivables.

Finance costs

Finance costs for the six months ended 30 June 2021 and 30 June 2022 remained relatively stable at RMB0.5 million and RMB0.7 million, respectively.

Share of results in joint ventures

Share of results in joint ventures for the six months ended 30 June 2021 and 30 June 2022 remained relatively stable at RMB19.2 million and RMB20.2 million, respectively.

Taxation

Income tax expense for the six months ended 30 June 2022 decreased by approximately 25% to RMB57.9 million (six months ended 30 June 2021: RMB77.7 million). Effective tax rate for the period was approximately 17% (six months ended 30 June 2021: approximately 23%). The decrease was primarily because the Group's major subsidiary, Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司), has been a High-New Technology Enterprise certified by relevant local government in the PRC in 2022, with the applicable income tax rate reduced from 25% to 15% accordingly.

Profit attributable to owners of the Company

Benefiting from the increase of revenue during the period, the profit attributable to owners of the Company for the six months ended 30 June 2022 increased by approximately 2% to RMB266.7 million, as compared to RMB261.3 million for the six months ended 30 June 2021. Our management will continue to focus on the improvement of our Shareholders' return as an on-going task.

Property, plant and equipment

Property, plant and equipment mainly consisted of electronic equipment, leasehold improvements, office equipment and vehicles. As at 30 June 2022, the Group's property, plant and equipment increased to RMB28.1 million from RMB23.0 million as at 31 December 2021 primarily due to (i) the addition of leasehold improvements; and (ii) the addition of property, plant and equipment through acquisition of subsidiary.

Intangible assets

Our intangible assets comprised computer software, property management contracts and customer relationship, trademark and goodwill. As at 30 June 2022, the Group's intangible assets increased by RMB24.5 million to RMB188.8 million from RMB164.3 million as at 31 December 2021. The increase was primarily attributable to (i) the goodwill of RMB17.3 million; and (ii) the property management contracts and customer relationship of RMB10.5 million arising from the acquisition of 51% of equity interests of a company primarily engaged in provision of property management services in Zhengzhou, but partially offset by the amortization of RMB6.5 million during the period.

Inventories

Our inventories primarily consisted of carpark spaces and community facilities held for sale and consumables held for consumption during the provision of property management services. Our inventories as at 30 June 2022 increased to RMB199.8 million (31 December 2021: RMB176.2 million) primarily due to the increase in carpark spaces arising from the acquisition of 51% of equity interests of a company primarily engaged in provision of property management services in Zhengzhou.

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 to our customers of value-added services, 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 are granted, respectively.

As at 30 June 2022, our trade and note receivables amounted to RMB937.3 million, representing an increase of approximately 79% as compared to RMB523.7 million as at 31 December 2021. The increase was primarily attributable to market environment impacts such as industry and economic conditions which slowed down the recovery of trade receivables. 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 mainly include prepayment to suppliers, other receivables and prepaid tax. As at 30 June 2021 and 30 June 2022, our prepayments and other receivables remained relatively stable at RMB219.6 million and RMB219.5 million, respectively.

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 mainly represent: (i) deposit; (ii) amounts collected on behalf of property owner; (iii) accrued payroll and welfare payables; (iv) other payables to related parties; and (v) other tax payables.

As at 30 June 2022, our trade and other payables amounted to RMB1,085.9 million, representing an increase of approximately 17% as compared to RMB926.9 million as at 31 December 2021, which is in line with the increase in subcontracting costs during the first half of 2022.

Contract liabilities

Contract liabilities represent our obligations to provide the contracted property management and commercial operational services, community value-added services and value-added services to non-property owners. Our contract liabilities mainly arise from the advance payments made by customers while the underlying services such as property management services and carpark management services are yet to be provided. As at 30 June 2022, our contract liabilities amounted to RMB437.9 million, representing an increase of approximately 14% as compared to RMB384.2 million as at 31 December 2021 which was in line with the increase in revenue from property management and commercial operational services.

Capital expenditures

In the first half of 2022, we incurred capital expenditures of RMB13.1 million (first half of 2021: RMB3.6 million), which mainly consisted of purchase of property, plant and equipment and intangible assets.

Financial resources and liquidity

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

As at 30 June 2022, the Group had cash and cash equivalents of RMB2,473.9 million and restricted bank deposits of RMB0.6 million, amounted to RMB2,474.5 million in aggregate; of which over 99% (31 December 2021: 70%) 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 2.5 times (31 December 2021: 2.6 times). We have ample financial resources and an adaptable financial management policy to support our business expansion in the coming years.

The principal activities of the Group are conducted in the PRC. During the six months ended 30 June 2022, 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.

As at 30 June 2022 and 31 December 2021, the Group had no borrowings.

Gearing ratio

Gearing ratio is calculated by dividing total borrowings by total equity, based on the sum of bank loans and other borrowings as at the corresponding date divided by the total equity on the same date. As at 30 June 2022, gearing ratio was nil (31 December 2021: nil).

Major investments

As at 30 June 2022, we did not have any significant investments.

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

Capital commitments

As at 30 June 2022, the Group had a total capital commitment of RMB35.0 million in relation to the acquisition of equity interests of a company primarily engaging in the provision of property management service in the PRC (31 December 2021: RMB61.2 million).

Charge on assets

As at 30 June 2022, we did not have any charges on our assets.

Contingent liabilities

As at 30 June 2022, 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 or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2022.

Employees and human resources

As at 30 June 2022, the Group had 8,978 employees (31 December 2021: 7,027 employees). The total number of employees serving the Group increased primarily due to the acquisition of subsidiaries. We will continue to strive for improvement in both manpower effectiveness and control capability of the Group. Our employee benefit expenses for the six months ended 30 June 2022 was RMB433.7 million (six months ended 30 June 2021: RMB343.1 million).

We have adopted an effective human resource system that provides differentiated employee trainings, 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.

Event after the reporting period

Acquisition of the entire equity interests in a property management company

On 12 August 2022, (i) Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司), a wholly-owned subsidiary of the Company, as purchaser (the "Purchaser"), and (ii) Dalian Sky-Upright Property Limited* (大連正乾置業有限公司), a wholly-owned subsidiary of Sino-Ocean Holding, and Sino-Ocean Capital Limited* (遠洋資本有限公司), a company which is indirectly owned as to 49% by Sino-Ocean Holding, as vendors (collectively, the "Vendors") entered into a framework agreement in relation to the acquisition by the Purchaser of the entire equity interests in Tianjin Xihe Supply Chain Services Co., Ltd.* (天津熙合供應鏈服務有限公司) (the "Target Company") from the Vendors for a total consideration of RMB500 million (the "Acquisition"). The Target Company and its subsidiaries (the "Target Group") are principally engaged in property management business in the PRC. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into the financial statements of the Company. The Acquisition has not been completed as at the Latest Practicable Date.

Details of the Acquisition are set out in the joint announcement of Sino-Ocean Holding and the Company dated 12 August 2022.

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

As at 30 June 2022, our planned use and actual use of net proceeds from listing was as follows:

	Percentage of net proceeds %	Available to utilise (RMB million)	Utilised during the period (RMB million)	Accumulated utilised (up to 30 June 2022) (RMB million)	Unutilised (as at 30 June 2022) (RMB million)	Expected timetable for the usage of the unutilised net proceeds as of 30 June 2022
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	37.6[Note]	83.3	772.5	On or before 31 December 2023
Develop smart community through upgrading of our systems for smart management	20%	285.3	3.7	17.7	267.6	On or before 31 December 2023
Enhance our level of digitization and our internal information technology infrastructure	10%	142.6	9.5	37.6	105.0	On or before 31 December 2023
Working capital and general corporate purpose	10%	142.6	107.4	142.6	—	N/A
Total	100%	1,426.3	158.2	281.2	1,145.1	

There has not been any material change to the planned use of net proceeds as at the Latest Practicable Date. The unutilised net proceeds as at 30 June 2022 were deposited with licensed banks or financial institutions in mainland China and Hong Kong.

Note:
Among the RMB37.6 million paid for business acquisition, (i) RMB15.0 million was the partial payment for the acquisition of 100% of equity interests of a company primarily engaged in the provision of property management services in Dalian ("Acquisition A"); (ii) RMB11.4 million was the partial payment for the acquisition of 80% of equity interests of Zhejiang Yuanou Property Management Co., Ltd.* (浙江遠甌物業管理有限公司) (formerly known as Ourui Property Management Group Limited* (甌睿物業集團有限公司)) ("Acquisition B"); and (iii) RMB11.2 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 ("Acquisition C").

As at the Latest Practicable Date, Acquisition B and Acquisition C have been completed, while Acquisition A is still in progress.

INVESTOR RELATIONS REPORT

PROMOTING VALUES

Our management attaches great importance to effective communication with Shareholders, investors, analysts, financial media and the public. We always 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 that they could reasonably evaluate the Company's value and their confidence in the Company would be enhanced, thereby creating maximum value for our Shareholders.

During the first half of 2022, we actively communicated with analysts and investors through results announcement press conference and roadshows. Efficient communication between the management and investors were arranged with 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. The Company's investor relations and communication activities during the period are summarised as follows:

2022	Major Events	
March	Sinolink Securities Spring Strategic Meeting 2022 CICC — Sino-Ocean Service 2021 annual results roadshow Citi — Sino-Ocean Service 2021 annual results roadshow Haitong Securities — Sino-Ocean Service 2021 annual results roadshow Sinolink Securities — Sino-Ocean Service 2021 annual results roadshow	Guosen Securities — Sino-Ocean Service 2021 annual results roadshow Industrial Securities — Sino-Ocean Service 2021 annual results roadshow Guoyuan International — Sino-Ocean Service 2021 annual results roadshow Zheshang Securities Spring Strategic Meeting 2022 Haitong Securities Spring Strategic Meeting 2022

2022	Major Events	
April	TF Securities Spring Strategic Meeting 2022	
May	Q2 Roadshow Conference	
June	Everbright Securities Interim Strategic Meeting 2022 Sinolink Securities Interim Strategic Meeting 2022 China Securities Interim Strategic Meeting 2022 CITIC Securities Interim Strategic Meeting 2022	Haitong Securities Interim Strategic Meeting 2022 Galaxy Securities Interim Strategic Meeting 2022 Guosen Securities Interim Strategic Meeting 2022

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 recommendations 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 obtain 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 2022 to 30 June 2022, the Company recorded:

	High	Low
Price per Share (HKD)	4.71	3.01

As at 30 June 2022, the Company's total number of issued shares was 1,184,000,000 Shares, and the closing price was HKD3.08. Based on the closing price on 30 June 2022, the market capitalisation of the Company was approximately HKD3,646.72 million.

SUSTAINABILITY REPORT

FORTIFYING THE FOUNDATION TO ENHANCE COMPLIANCE MANAGEMENT

In persistent adherence to corporate governance in accordance with law, operational compliance, integrity and probity, Sino-Ocean Service has been actively forging a responsible supply chain and reinforcing its foundation for services, so as to create a better future together. We are supported by an independent and experienced management team and has established a management regime comprising the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board, comprising two Executive Directors, two NEDs and three INEDs, is responsible for formulating strategic guidelines for the Company, supervising its business performance, and ensuring the effectiveness of risk management and the corresponding internal control system, in order to generate long-term benefits for the Company and its stakeholders. We have fostered a compliance culture through the establishment, formulation and administration of procedures for the internal control system, implemented various measures to identify, assess and manage operational risks in business, and disclosed relevant information in a true, accurate and timely manner through the website of the Stock Exchange and the Company's official website in strict accordance with the requirements of relevant laws and regulations and regulatory documents in 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 protect the legitimate rights and interests of the Company, its investors and minority shareholders. In strict compliance with national and local laws and regulations and with a strong emphasis on the fostering of probity in accordance with Communist Party principles and anti-corruption work, the Company organises education and training on business practice integrity on a regular basis to enhance staff awareness of integrity. To uphold the principle of fairness and impartiality in procurement and ensure compliance of our procurement tender process with business practices, suppliers are required to sign an "Undertaking on Integrity and Self-discipline", in a bid to develop a transparent, compliant and sustainable supply chain regime.

EXCELLENCE IN SERVICE UNDERPINNED BY A PEOPLE-CENTRIC APPROACH

In persistent adherence to the service philosophy of "Being understanding and innovative", Sino-Ocean Service aims to provide premium property management services that make available conveniences in daily life and foster a more valuable living environment and experience for property owners and residents. We are actively engaged in customer relations management with the aim of building and maintaining sustainable, long-term customer relationships by focusing on the creation of superior value for customers and the provision of services to their satisfaction. Satisfaction surveys are conducted among property owners and residents on a regular basis, complemented by mystery customer surveys and proactive telephone enquiries to identify potential issues. Annual and monthly property management work reports have been prepared for inspection by all owners of the communities under our management. Multiple channels for communication with customers, including an information service platform and a 24-hour toll-free customer service hotline serving property owners and residents, have been established for more efficient response to customers' needs and demands, in a persistent effort to provide and constantly improve premium services to customers, consistently enhance the experience and satisfaction of owners and residents and create healthier and more convenient residential communities.

ENERGY CONSERVATION AND EMISSION REDUCTION: CREATING A GREEN FUTURE TOGETHER

Sino-Ocean Service consistently improves its environmental management in adherence to eco-friendly principles; the environmental impact of our operations is a matter of high priority for us, as we seek to employ resources in a scientific manner and manage emissions with high efficiency; we emphasise protection of the environment and natural resources and actively address climate change in a bid to contribute our effort to the building of a green home on Earth. In active response to the nation's call for ecological and environmental protection, we deal with the possible negative impact on the natural environment of our operations as a matter of high priority in strict compliance with national and local laws and regulations pertaining to environmental protection. The waste generated in daily services is handled through sorting to reduce environmental pollution. Exhaust gas, sewage and noise generated during project operation have been subject to effective control in an ongoing effort to improve conditions of the surrounding environment. We procure effective control and reasonable use of energy and resources in a regulated manner to lower production costs and enhance economic and social efficiency. Priority is given to eco-friendly, energy-saving electrical appliances and equipment, while equipment with high-energy and low-energy efficiency are progressively phased out; stringent control is exercised in respect of power consumption for lightings, as lights are switched off whenever they are not needed; Regular inspection and maintenance of pipelines, valves and faucets is conducted by dedicated staff and repair and replacement are arranged in a timely manner in case of leaks, outflows, drips or seepages; we have built our own water pump house to collect and process rainwater and domestic sewage for use in the irrigation of green space, flowers and trees and as toilet flush water, thereby reducing the amount of wasted water generated.

We are engaged in ongoing community initiatives for the promotion of public health to continuously improve the community environment, while standardized response measures to address extreme weather conditions have been formulated to build a line of defense for the protection of owners' safety; at the same time, we organize practical drills to cope with extreme weather in active response to climate change.

DEDICATED TO BUILDING HARMONY AND CO-PROSPERITY FOR ALL

In adherence to a people-centric philosophy and in active fulfillment of responsibility as a corporate citizen, Sino-Ocean Service has provided staff with a platform to realise their own potential in a genuine effort to reward the community and make contributions to the development of a harmonious society. Sino-Ocean Service adheres to the people-oriented principle and guarantees the basic rights and interests of employees. We carry out diversified staff training and provide a smooth pathway for staff development, while caring for the daily life of staff in a bid to create a blissful enterprise. We value the full-cycle career development of employees and the construction of talent echelon. We have adopted a highly efficient human resources regime, whereby internal promotion and the promotion process of core management personnel is administered and regulated according to the principle of fairness, openness, and impartiality.

We are concerned with people's livelihood and social progress and dedicated to community welfare and charity, as we seek to contribute to community development in an effort to achieve co-development of the enterprise and the community in harmony. We are committed to sharing the achievements of our development with the community, in a bid to serve residents in the community by leveraging the Company's advantages with the organization of activities such as education aid for the needy, care for the underprivileged and improvements to people's livelihood to promote social harmony through practical actions. In accord with the concept of "Building•Health" and in close tandem with the pace of urban redevelopment, we renovate old neighbourhoods with environmentally friendly recycled materials to upgrade and create new green communities.

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

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, 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 corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

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

Notes:

(i) The share options were granted by Sino-Ocean Holding on 24 August 2017 under its share option scheme to subscribe for the corresponding number of ordinary shares of Sino-Ocean Holding 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 Holding's total number of issued ordinary shares of 7,616,095,657 as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2022 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 was granted any right to subscribe for any equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

The register required to be kept by the Company under section 336 of the SFO shows that as at 30 June 2022, the Company had been notified of the following Shareholders' interests and short positions in the Shares, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and the chief executive of the Company (if any):

Name of Shareholders	Capacity	Long/short position	No. of Shares held	Total	Approximate percentage of the Company's total issued share capital (note (iii))
Shine Wind Development Limited ("Shine Wind")	Beneficial owner	Long position	800,000,000	827,100,000	69.86%
	Interest in controlled corporation (note (i))	Long position	27,100,000		
Sino-Ocean Holding	Interest in controlled corporation (note (ii))	Long position	827,100,000	827,100,000	69.86%

Notes:

(i) 27,100,000 Shares were held by a company which Shine Wind was indirectly interested in 49% and therefore, Shine Wind was deemed to be interested in these Shares by virtue of the SFO.

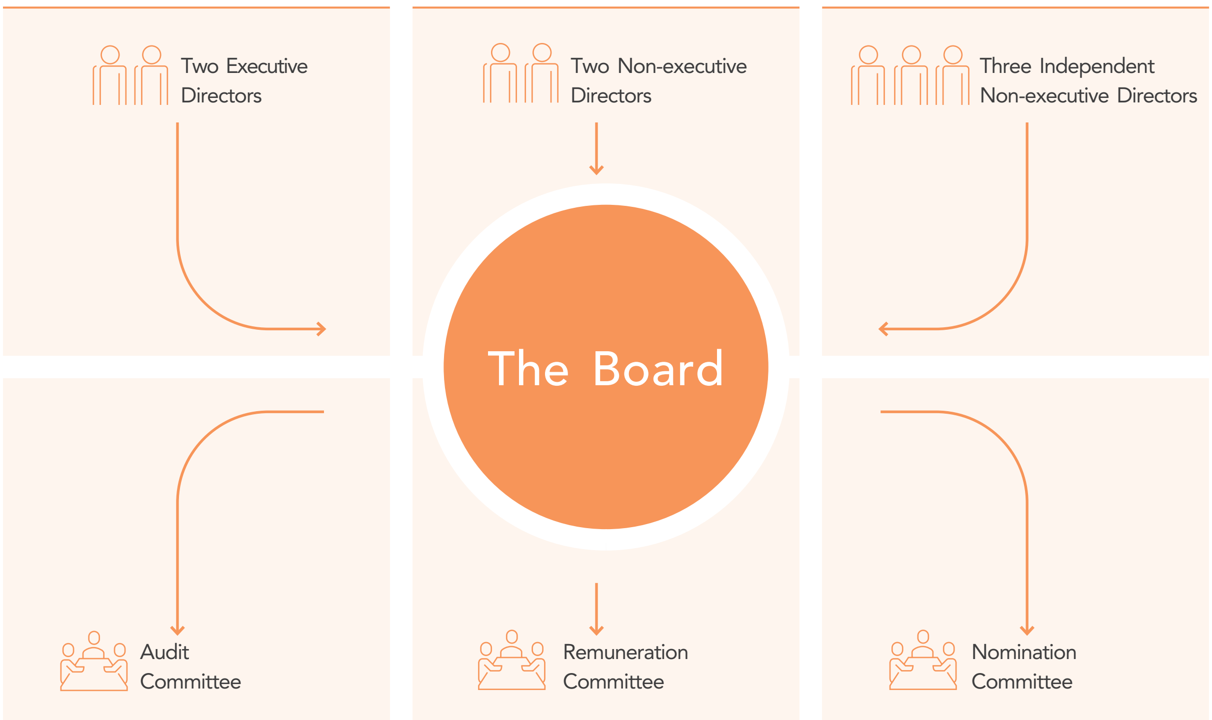
(ii) Shine Wind was a wholly-owned subsidiary of Sino-Ocean Holding and therefore, Sino-Ocean Holding was deemed to be interested in these Shares held by Shine Wind by virtue of the SFO.

(iii) Calculated based on the Company's total number of issued Shares of 1,184,000,000 as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, no person (other than the Directors and chief executive of the Company) or corporation had any interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE



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

In the opinion of the Board, the Company had applied the principles and complied with the code provisions of the CG Code throughout the six months ended 30 June 2022, except for the deviations as disclosed herein:

The positions of 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. The Joint Chairmen provide leadership and guidance for the Board and ensure the effectiveness of the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. The Joint Chairmen are also responsible for formulating the overall strategies and policies of the Company and monitoring their implementation.

The code provision 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.

The code provision C.6.2 of the CG Code stipulates that a board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. The appointment of the Company Secretary during the period was approved by a written resolution of the Board in lieu of a physical board meeting in accordance with the amended and restated articles of association of the Company. Prior to the execution of the written resolution, board papers regarding the appointment of the Company Secretary were provided to all Directors in advance for their review and consideration. It is considered that the approval process by way of the adoption of a written resolution is an efficient and appropriate way for the appointment of the Company Secretary.

AUDIT COMMITTEE

After the cessation of Dr. XUE Jun as a member of the Audit Committee and the appointment of Mr. HO Chi Kin Sammy as a member of the Audit Committee with effect from 3 August 2022, and the cessation of Mr. ZHU Lin as the chairman of the Audit Committee and the appointment of Mr. LEUNG Wai Hung as the chairman of the Audit Committee with effect from 4 August 2022, the Audit Committee consists of three INEDs, namely Mr. LEUNG Wai Hung, Dr. GUO Jie and Mr. HO Chi Kin Sammy, and two NEDs, namely Mr. CUI Hongjie and Mr. ZHU Xiaoxing. Mr. LEUNG Wai Hung is the chairman of the Audit Committee.

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.

REMUNERATION COMMITTEE

After the cessation of Dr. XUE Jun as the chairman of the Remuneration Committee and the appointment of Mr. HO Chi Kin Sammy as the chairman of the Remuneration Committee with effect from 3 August 2022, the Remuneration Committee comprises three members, being two INEDs, namely Mr. HO Chi Kin Sammy (the chairman of the Remuneration Committee) and Dr. GUO Jie, and one Executive Director, Mr. YANG Deyong.

The main duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management of the Company and make recommendations to 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 the 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 the INEDs.

NOMINATION COMMITTEE

After the cessation of each of Dr. XUE Jun and Mr. ZHU Lin as a member of the Nomination Committee with effect from 3 August 2022 and 4 August 2022 respectively, and the appointment of each of Mr. HO Chi Kin Sammy and Mr. LEUNG Wai Hung as a member of the Nomination Committee with effect from 3 August 2022 and 4 August 2022 respectively, 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, Mr. HO Chi Kin Sammy and Mr. LEUNG Wai Hung. 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 of the Company, and to review the Board diversity and make recommendations to the Board on the Board diversity policy.

RISK MANAGEMENT AND INTERNAL CONTROLS

Duties of the Board and the management

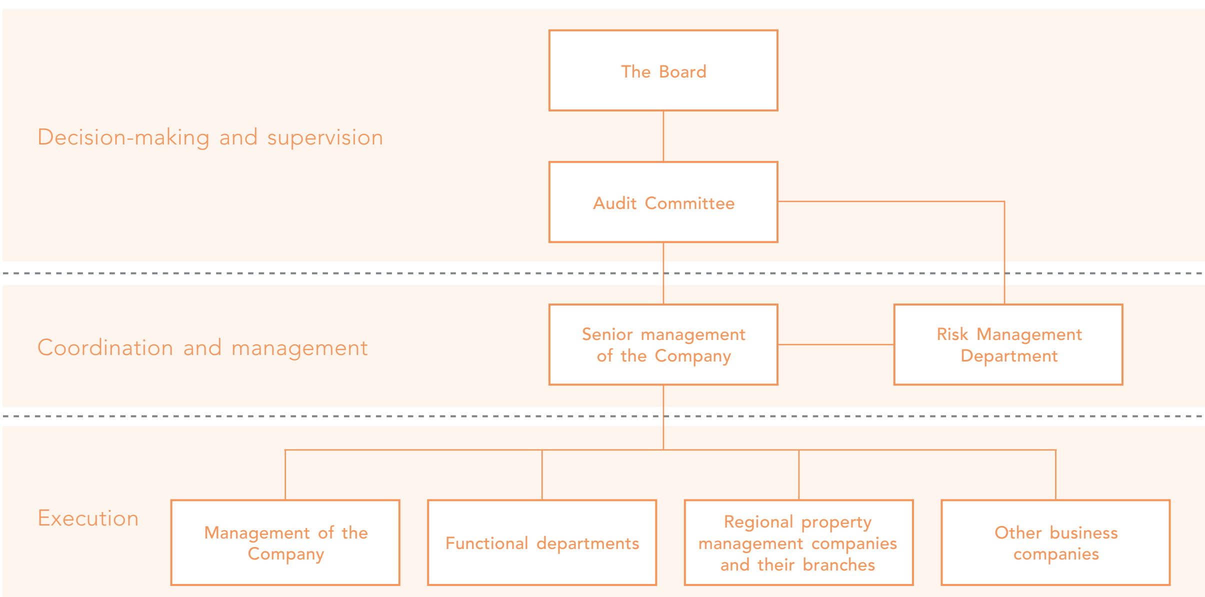
The Board reviews the Group's risk management and internal control systems annually which cover, among other things, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions and the effectiveness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

The Group has implemented the policy on price-sensitive inside information (the "Inside Information Policy") in order to ensure inside information is identified, handled and disseminated in compliance with the requirements of the SFO. 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, relevant 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 as the supreme decision-making body for sustainability management to oversee all affairs relating to sustainability, formulate policies and strategies for sustainability and regulate the corporate ESG management structure. The Company has established the sustainability work group (the "Sustainability Work Group") which is responsible for collecting relevant information, supervising the execution of sustainability policies and strategies formulated by the Board, and reporting relevant work to the decision-making body on a regular basis. Formed by the corresponding officers of various departments, the Sustainability Work Group elucidates the duties of various specialised positions in the strategy and established relevant mechanisms to safeguard smooth operation according to the Company's current sustainability principles. The Board appreciates the importance of sustainability for the Company and the society and firmly believes that sustainability is conducive to the Company's business growth.

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

Whistle-blowing channel

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

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, dealing with various violations of laws and disciplines in accordance with laws and regulations, and preventing 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022.

REVIEW OF INTERIM FINANCIAL INFORMATION BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control, risk management and financial reporting matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 and this interim report.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a Code of Conduct on terms no less exacting than those required standards set out in 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 six months ended 30 June 2022.

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.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of the Directors during the period from 31 March 2022 (being the latest practicable date prior to the issue of the last annual report) to the Latest Practicable Date required to be disclosed is set out below:

- Dr. XUE Jun has resigned as an INED, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 3 August 2022.
- Mr. HO Chi Kin Sammy has been appointed as an INED, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 3 August 2022.
- Mr. ZHU Lin has resigned as an INED, the chairman of the Audit Committee and a member of the Nomination Committee with effect from 4 August 2022.
- Mr. LEUNG Wai Hung has been appointed as an INED, the chairman of the Audit Committee and a member of the Nomination Committee with effect from 4 August 2022.
- The director's fee of Dr. GUO Jie was adjusted to HKD600,000 per annum with effect from 6 August 2022, as recommended by the Remuneration Committee and approved by the Board.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB0.136 per Share (equivalent to HKD0.156 per Share, rounded to the nearest three decimal places) for the six months ended 30 June 2022 (six months ended 30 June 2021: nil). The interim dividend will be paid in cash in HKD. The relevant exchange rate is the average central parity rate of RMB to HKD as announced by the People's Bank of China for the period from Tuesday, 23 August 2022 to Monday, 29 August 2022 (RMB1=HKD1.1451). The interim dividend will be paid to the Shareholders whose names are standing in the register of members of the Company at the close of business on Friday, 16 September 2022. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 16 September 2022. It is expected that the cheques for dividend payment in relation to the interim dividend will be despatched at the risk of those who are entitled thereto to their respective registered addresses on or around Wednesday, 28 September 2022.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	7	1,600,278	1,384,601
Cost of sales	7,8	(1,171,744)	(943,351)
Gross profit		428,534	441,250
Selling and marketing expenses	8	(8,445)	(6,222)
Administrative expenses	8	(72,869)	(97,508)
Net impairment losses on financial assets		(46,303)	(20,970)
Other income	9	11,954	14,038
Other losses		(4,997)	(8,028)
Operating profit		307,874	322,560
Finance costs		(665)	(514)
Share of results in joint ventures	14	20,197	19,181
Profit before income tax		327,406	341,227
Income tax expense	10	(57,944)	(77,706)
Profit for the period		269,462	263,521
Other comprehensive income		—	—
Profit and total comprehensive income for the period		269,462	263,521
Profit and total comprehensive income attributable to:			
Owners of the Company		266,733	261,311
Non-controlling interests		2,729	2,210
		269,462	263,521
Earnings per share for profit attributable to the owners of the Company			
Basic and diluted (expressed in RMB per share)	11	0.23	0.22

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		28,099	23,042
Intangible assets	12	188,783	164,263
Right-of-use assets	13	19,617	24,056
Investments in joint ventures	14	127,391	150,671
Deferred income tax assets		23,947	19,735
Total non-current assets		387,837	381,767
Current assets			
Inventories	15	199,757	176,209
Trade and note receivables	16	937,344	523,691
Prepayments and other receivables	17	219,478	219,606
Restricted bank deposits		578	541
Cash and cash equivalents		2,473,890	2,526,530
Total current assets		3,831,047	3,446,577
Total assets		4,218,884	3,828,344
Equity			
Equity attributable to owners of the Company			
Share capital		99,829	99,829
Reserves		1,528,208	1,638,320
Retained earnings		930,867	664,134
		2,558,904	2,402,283
Non-controlling interests		48,062	31,845
Total equity		2,606,966	2,434,128

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Trade and other payables	19	24,445	24,434
Lease liabilities	13	12,757	13,138
Deferred income tax liabilities		17,330	18,015
Total non-current liabilities		54,532	55,587
Current liabilities			
Trade and other payables	19	1,061,497	902,455
Contract liabilities		437,929	384,229
Lease liabilities	13	5,955	8,000
Current tax liabilities		52,005	43,945
Total current liabilities		1,557,386	1,338,629
Total liabilities		1,611,918	1,394,216
Total equity and liabilities		4,218,884	3,828,344

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		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 2022		99,829	13,108	1,625,212	664,134	2,402,283	31,845	2,434,128
Comprehensive income								
Profit for the period		—	—	—	266,733	266,733	2,729	269,462
Transactions with owners in their capacity as owners								
Dividends	18	—	—	(110,112)	—	(110,112)	—	(110,112)
Non-controlling interests on acquisition of a subsidiary		—	—	—	—	—	13,488	13,488
Balance at 30 June 2022 (unaudited)		99,829	13,108	1,515,100	930,867	2,558,904	48,062	2,606,966
Balance at 1 January 2021		99,829	13,108	1,690,332	225,114	2,028,383	22,922	2,051,305
Comprehensive income								
Profit for the period		—	—	—	261,311	261,311	2,210	263,521
Transactions with owners in their capacity as owners								
Dividends	18	—	—	(65,120)	—	(65,120)	—	(65,120)
Distribution relating to non-controlling interest		—	—	—	—	—	(1,321)	(1,321)
Non-controlling interests arising from newly established subsidiaries		—	—	—	—	—	1,470	1,470
Balance at 30 June 2021 (unaudited)		99,829	13,108	1,625,212	486,425	2,224,574	25,281	2,249,855

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		131,849	341,628
Income tax paid		(56,047)	(54,053)
Net cash generated from operating activities		75,802	287,575
Cash flows from investing activities			
Purchases of financial assets at fair value through profit or loss		(44,600)	(827,500)
Acquisition of subsidiaries, net of cash acquired		(18,013)	—
Down payment for acquisition of a subsidiary		(15,000)	—
Purchases of property, plant and equipment		(9,909)	(3,025)
Purchase of intangible assets	12	(3,170)	(541)
Redemption of financial assets at fair value through profit or loss		44,757	828,966
Dividend received from a joint venture		43,477	—
Proceeds from sale of property, plant and equipment		118	288
Net cash used in investing activities		(2,340)	(1,812)
Cash flows from financing activities			
Dividends		(110,112)	(65,120)
Listing expenses paid		—	(15,805)
Payments of lease liabilities		(6,902)	(5,807)
Distribution relating to non-controlling interests		(3,921)	—
Capital contributions from non-controlling interests		—	1,470
Net cash used in financing activities		(120,935)	(85,262)
Net (decrease)/increase in cash and cash equivalents		(47,473)	200,501
Cash and cash equivalents at beginning of the period		2,526,530	2,175,019
Exchange losses on cash and cash equivalents		(5,167)	(9,475)
Cash and cash equivalents at end of the period		2,473,890	2,366,045

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

This condensed consolidated interim financial information has not been audited and is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 30 August 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 condensed consolidated interim financial information has been authorised for issue, the Group was not aware of any material adverse effects on the condensed consolidated interim financial information as a result of the COVID-19 outbreak.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This interim financial information does not include all the notes of the type normally included in the annual financial report. Accordingly, this interim financial information should be read in conjunction with the annual financial report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

(a) Property, Plant and Equipment: Proceeds before intended use — Amendments to HKAS 16

(b) Reference to the Conceptual Framework — Amendments to HKFRS 3

(c) Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37

(d) Annual Improvements to HKFRS Standards 2018–2020

(e) Amendments to AG 5 — Merger Accounting for Common Control Combinations

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

Impact of standards issued but not yet applied by the Group

Standards and amendments that have been issued but not yet effective on 1 January 2022 and not been early adopted by the Group are as follows:

	Effective for annual periods beginning on or after
HKFRS 17 — Insurance contract	1 January 2023
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28 — Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Group are of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any significant impact on the Group.

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange risk and liquidity risk.

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

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

5.2 Liquidity risk

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

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

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

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

5.4 Fair value estimation

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

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of the Company.

During the six months ended 30 June 2022, the Group is principally engaged in the provision of property management and commercial operational services, community value-added services and value-added services to non-property owners in the PRC. Management reviews the operating results of the business by geography but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the six months ended 30 June 2022 and 2021.

As at 30 June 2022 and 31 December 2021, all of the non-current assets were located in the PRC.

7 REVENUE AND COST OF SALES

Revenue mainly comprises of proceeds from property management 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 six months ended 30 June 2022 and 2021 is as follows:

		Six months ended 30 June			
		2022		2021	
	Revenue from customer and recognised	Revenue	Cost of sales	Revenue	Cost of sales
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)		(Unaudited)	
Property management and commercial operational services	Over time	943,532	719,102	744,547	544,539
Community value-added services	Over time and point in time	304,689	189,162	371,754	185,256
Value-added services to non-property owners	Over time	352,057	263,480	268,300	213,556
		1,600,278	1,171,744	1,384,601	943,351

For the six months ended 30 June 2022, 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 27% (for the six months ended 30 June 2021: 26%) of the Group' s revenue. Other than Sino-Ocean Group, it's joint ventures and associates and the shareholder of ultimate holding company of the Group, the Group has a large number of customers, none of whom contributed approximately 10% or more of the Group's revenue during the six months ended 30 June 2022 and 2021.

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses	433,710	343,106
Outsourced security, greening and cleaning expenses	393,536	314,569
Maintenance expenses and utilities	195,409	165,431
Cost of consumables and raw materials	73,614	43,507
Cost of goods sold	40,482	31,635
Sub-contract expenses for home improvement and property agency services	14,435	37,039
Office-related expenses	34,662	36,280
Depreciation and amortization charges	18,013	12,781
Cost of selling carpark spaces	9,248	33,041
Taxes and surcharges	7,531	8,006
Community activities expenses	7,477	6,222
Service fee related to commercial operational services	6,108	—
Others	18,833	15,464
	1,253,058	1,047,081

9 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (a)	8,510	6,584
Interest income from bank deposits	2,698	7,073
Others	746	381
	11,954	14,038

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

10 INCOME TAX EXPENSE

The Group entities are subjected to PRC enterprise income tax, which has been provided for based on the applicable tax rate of the assessable income of each of these group entities for the six months ended 30 June 2022 and 2021. Certain subsidiaries of the Group in the PRC are qualified as small, micro businesses or High-New Technology Enterprise and enjoy preferential income tax rate of 2.5%, 5% or 15%. Companies registered in Hong Kong are mainly subjected to Hong Kong profits tax.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
PRC corporate income tax	62,194	81,223
PRC land appreciation tax	1,912	446
Deferred income tax		
PRC corporate income tax	(6,162)	(3,963)
	57,944	77,706

The effective income tax rate was 17% for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 23%).

11 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of 1,184,000,000 (for the six months ended 30 June 2021: 1,184,000,000) in issue during the six-month periods.

For the six months ended 30 June 2022 and 2021, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	266,733	261,311
Weighted average number of ordinary shares in issue (in thousands)	1,184,000	1,184,000
Basic and diluted earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB per share)	0.23	0.22

12 INTANGIBLE ASSETS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost		
At beginning of period	195,371	128,566
Additions	3,170	541
Acquisition of a subsidiary	27,851	—
At end of period	226,392	129,107
Accumulated amortization		
At beginning of period	(31,108)	(21,533)
Amortization charge for the period	(6,501)	(4,205)
At end of period	(37,609)	(25,738)
Net book amount		
At end of period	188,783	103,369

(a) Impairment tests for goodwill arising from business combinations

As of 30 June 2022, the management performed an impairment assessment on the goodwill. The recoverable amounts of the property management business operated by Changsha Xiangcheng Property Management Co., Ltd., Shandong Liantai Property Service Co., Ltd., Zhejiang Yuanou Property Management Co., Ltd. and Henan Yuanyang Hexie Property Management Co., Ltd. ("Henan Hexie") have been assessed by an independent valuer and determined based on value-in-use calculations. The calculation of used cash flow projections based on financial budgets approved by the management.

By reference to the recoverable amount assessed by the independent valuer as of 30 June 2022, the directors of the Company determined that no impairment provision on goodwill was required as of 30 June 2022 (30 June 2021: nil).

13 LEASES

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

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Right-of-use assets		
Buildings	17,191	20,396
Parking lots	2,357	3,398
Vehicles	—	161
Equipment	69	101
	19,617	24,056
Lease liabilities		
Current	5,955	8,000
Non-current	12,757	13,138
	18,712	21,138

14 INVESTMENTS IN JOINT VENTURES

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	150,671	119,290
Share of results from investment in joint ventures	20,197	19,181
Dividend	(43,477)	—
At end of period	127,391	138,471

15 INVENTORIES

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carpark spaces	180,231	157,640
Properties held for sale	12,976	12,976
Consumables and goods	6,550	5,593
	199,757	176,209

16 TRADE AND NOTE RECEIVABLES

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables		
— Related parties (Note 21(b))	464,057	209,628
— Third parties	559,216	356,157
	1,023,273	565,785
Note receivables		
— Third parties	—	235
Less: allowance for impairment of trade and note receivables	(85,929)	(42,329)
Total	937,344	523,691

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

16 TRADE AND NOTE RECEIVABLES (CONTINUED)

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

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	849,985	466,405
1–2 years	103,899	55,322
2–3 years	40,295	33,845
Over 3 years	29,094	10,448
Total	1,023,273	566,020

17 PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayments to suppliers		
— Related parties (Note 21(b))	216	216
— Third parties	21,556	32,992
	21,772	33,208
Prepayment for acquisition of a subsidiary	15,000	20,150
Other receivables		
— Related parties (Note 21(b))	89,090	81,104
— Payments on behalf of property owners	60,729	49,438
— Deposit	28,252	19,845
— Others	6,670	17,487
	184,741	167,874
Less: allowance for impairment of other receivables	(3,062)	(2,278)
	181,679	165,596
Prepaid tax	1,027	652
Total	219,478	219,606

18 DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend paid of RMB0.093 (2020: RMB0.055) per ordinary share (a)	110,112	65,120
Interim dividend declared of RMB0.136 (2021: Nil) per ordinary share (b)	161,024	—

(a) During the six months ended 30 June 2022, the Company declared and paid dividends with aggregated amounts of RMB110,112,000 (for the six months ended 30 June 2021: RMB65,120,000) to the Company's shareholders.

(b) On 30 August 2022, the Board has resolved to declare an interim dividend of RMB0.136 per share with aggregated amount of RMB161,024,000 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

19 TRADE AND OTHER PAYABLES

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables (a)		
— Related parties (Note 21(b))	60,850	29,215
— Third parties	577,657	415,102
	638,507	444,317
Other payables		
— Related parties (Note 21(b))	39,124	32,042
— Deposit	140,724	132,419
— Amounts collected on behalf of property owner	120,470	100,845
— Consideration payable for acquisition of a subsidiary	17,160	28,600
— Others	12,808	24,468
	330,286	318,374
Dividends payables		
— Non-controlling shareholders	3,532	7,453
Accrued payroll and welfare payables	90,935	140,015
Other taxes payables	22,682	16,730
	113,617	156,745
Less: non-current portion	(24,445)	(24,434)
Total	1,061,497	902,455

19 TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade and other payables approximated their fair values.

(a) As at 30 June 2022 and 31 December 2021, 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 at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	573,175	406,713
1–2 years	53,392	28,862
2–3 years	6,576	5,866
Over 3 years	5,364	2,876
Total	638,507	444,317

20 BUSINESS COMBINATION

On 14 January 2022, the Group completed its acquisition of 51% the equity interests in Henan Hexie at a consideration of RMB31,350,000 from a third party. Total identifiable net assets of Henan Hexie amounted to RMB27,526,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	At the date of acquisition
	RMB'000
Consideration	
— Cash paid in 2022	11,200
— Cash paid in 2021	20,150

20 BUSINESS COMBINATION (CONTINUED)

	At the date of acquisition
	RMB'000
	(Unaudited)
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4,627
Inventories	31,901
Property, plant and equipment	498
Intangible Assets	10,539
Trade and note receivables	16,733
Prepayments and other receivables	121
Other assets	1,370
Trade and other payables	(17,936)
Current tax liabilities	(252)
Contract liabilities	(17,440)
Deferred income tax liabilities	(2,635)
Total identifiable net assets	27,526
Less: non-controlling interests	(13,488)
Net assets acquired	14,038
Goodwill	17,312

Goodwill of RMB17,312,000 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.

21 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere, the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2022 and 2021:

(a) Transactions with related parties

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Provision of goods and services		
— A joint venture	149	13,440
— Entities controlled by the ultimate holding company	210,157	206,900
— Entities over which the ultimate holding company has significant influence and joint control	196,462	126,288
— A shareholder of the ultimate holding company of the Group	18,664	18,894
	425,432	365,522

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchase of goods and services		
— A joint venture	60,183	59,695
— Entities controlled by the ultimate holding company	4,246	522
— Entities over which the ultimate holding company has significant influence and joint control	4,811	—
	69,240	60,217
Recognition of right-of-use assets on leased assets		
— Entities controlled by the ultimate holding company	146	11,555
Interest expenses for lease liabilities		
— Entities controlled by the ultimate holding company	359	156
— Entities over which the ultimate holding company has significant influence and joint control	24	26
	383	182
Rental expenses		
— Entities controlled by the ultimate holding company	606	480
— Entities over which the ultimate holding company has significant influence and joint control	2,355	2,580
	2,961	3,060
Deposits receivable to entities controlled by the ultimate holding company		
At 1 January	54,445	—
Amounts advanced during the period	4,402	—
Repayments during the period	(2,664)	—
At 30 June	56,183	—
Deposits receivable from entities over which the ultimate holding company has significant influence or joint control		
At 1 January	16,636	—
Amounts advanced during the period	1,196	—
At 30 June	17,832	—

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

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade and note receivables		
— A joint venture	3	3
— Entities controlled by the ultimate holding company	257,884	90,687
— Entities over which the ultimate holding company has significant influence and joint control	198,704	117,992
— A shareholder of the ultimate holding company of the Group	7,466	946
	464,057	209,628
Other receivables		
— A joint venture	33	398
— Entities controlled by the ultimate holding company	67,687	61,442
— Entities over which the ultimate holding company has significant influence and joint control	21,370	19,264
	89,090	81,104
Prepayments		
— Entities controlled by the ultimate holding company	216	216
Trade payables		
— A joint venture	48,746	24,150
— Entities controlled by the ultimate holding company	6,032	4,638
— Entities over which the ultimate holding company has significant influence and joint control	6,072	325
— A shareholder of the ultimate holding company of the Group	—	102
	60,850	29,215

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other payables		
— A joint venture	34	25
— Entities controlled by the ultimate holding company	29,107	21,997
— Entities over which the ultimate holding company has significant influence and joint control	9,983	10,020
	39,124	32,042
Contract liabilities		
— A joint venture	—	4
— Entities controlled by the ultimate holding company	864	1,929
— Entities over which the ultimate holding company has significant influence and joint control	1,429	2,270
— A shareholder of the ultimate holding company of the Group	—	4,085
	2,293	8,288
Lease liabilities		
— Entities controlled by the ultimate holding company	11,103	12,109
— Entities over which the ultimate holding company has significant influence and joint control	785	836
	11,888	12,945

(c) Key management compensation

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, bonuses and other benefits	3,821	6,764

22 SUBSEQUENT EVENT

On 12 August 2022, (i) Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司), a wholly-owned subsidiary of the Company, as purchaser (the "Purchaser"), and (ii) Dalian Sky-Upright Property Limited* (大連正乾置業有限公司), a wholly-owned subsidiary of Sino-Ocean Holding, and Sino-Ocean Capital Limited* (遠洋資本有限公司), a company which is indirectly owned as to 49% by Sino-Ocean Holding, as vendors (collectively, the "Vendors") entered into a framework agreement in relation to the acquisition by the Purchaser of the entire equity interests in Tianjin Xihe Supply Chain Services Co., Ltd.* (天津熙合供應鏈服務有限公司) (the "Target Company") from the Vendors for a total consideration of RMB500 million (the "Acquisition"). The Target Company and its subsidiaries (the "Target Group") are principally engaged in property management business in the PRC. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into the financial statements of the Company. The Acquisition has not been completed as at the date of this interim report.

GLOSSARY

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC"	the People's Republic of China
"Code of Conduct"	the code of conduct regarding Directors' securities transactions adopted by the Company
"Company"or "Sino-Ocean Service"	Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 06677)
"Company Secretary"	the company secretary of the Company
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	the executive Director(s)
"GFA"	gross floor area
"Group" or "we"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s)
"Joint Chairmen"	the joint chairmen of the Board
"Latest Practicable Date"	13 September 2022, being the latest practicable date prior to the issue of this interim report
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NED(s)"	the non-executive Director(s)
"Nomination Committee"	the nomination committee of the Company
"Remuneration Committee"	the remuneration committee of the Company
"Risk Management Department"	the risk management department of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	the ordinary share(s) of the Company with a nominal value of HKD0.10 each
"Shareholder(s)"	the shareholder(s) of the Company
"Sino-Ocean Group"	Sino-Ocean Holding and its subsidiaries
"Sino-Ocean Holding"	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 03377), and a controlling Shareholder
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	United States dollars, the lawful currency of the United States
"YoY"	year-on-year
"%"	per cent

Note:
In this interim report, English names of the PRC entities marked "*" are translations of their Chinese names for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

遠洋服務控股有限公司
Sino-Ocean Service Holding Limited

地址：香港金鐘道88號太古廣場一座601
Address: Suite 601, One Pacific Place, 88 Queensway, Hong Kong
電話: +852 2899 2880

地址：北京市朝陽區朝陽體育中心東側路甲518號A座2層
Address: 2nd Floor, Tower A, No. A518 East Road of Chaoyang Sports Center, Chaoyang District, Beijing
電話: +8610 8564 2300

www.sinooceanservice.com

遠洋服務官方微信
Sino-Ocean Service
Official WeChat

MIX
Paper from responsible sources
FSC™ C007445
FSC www.fsc.org