遠洋服務
SINO-OCEAN SERVICE

2023 INTERIM REPORT

SINO-OCEAN SERVICE

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 06677.HK

BEING UNDERSTANDING AND INNOVATIVE

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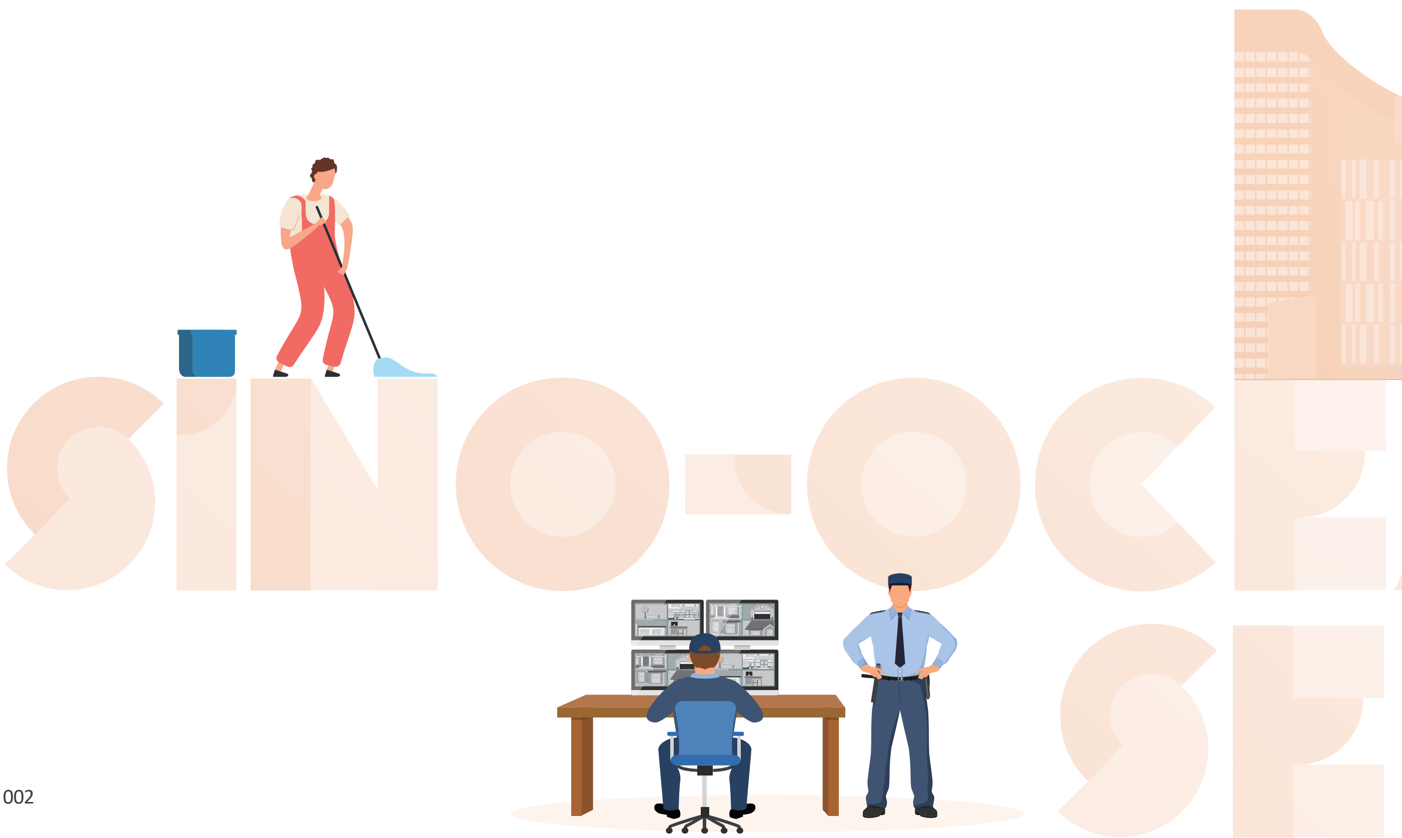

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CORPORATE OVERVIEW

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 2022, we were honored "2023 TOP100 Property Management Companies of China (Ranked 13th)", "2023 China Leading Property Management Companies — High-end Properties", and "2023 China Property Management Companies in terms of Characteristic Service — Outstanding Enterprise in Asset Management and Operation".

Total Contracted GFA of
144.5
million sq.m.

Total GFA under management of
103.5
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 378 subsidiaries and branch offices across 28 provinces, municipalities and autonomous regions in China as at 30 June 2023.

As of 30 June 2023, our total contracted GFA reached 144.5 million sq.m., covering 89 cities across 28 provinces, municipalities and autonomous regions in China, and we managed 539 properties in China with a total GFA under management of 103.5 million sq.m., including 317 residential communities, 74 commercial properties and 148 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.

Number of projects under property management services

317	74	148
Residential communities	Commercial properties	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 2023:

Beijing-Tianjin-Hebei

Beijing, Tianjin, Shijiazhuang, Qinhuangdao, Zhangjiakou, Hengshui, Tangshan, Langfang, Handan, Baoding

Bohai Rim

Anshan, Dalian, Fushun, Harbin, Jinan, Jincheng, Jinzhong, Linyi, Qingdao, Shenyang, Songyuan, Taiyuan, Tieling, Yantai, Changchun, Zibo, Weifang

Eastern China

Changzhou, Chuzhou, Hangzhou, Hefei, Huai'an, Jiaxing, Jinhua, Ma'anshan, Nanjing, Nantong, Ningbo, Shanghai, Suzhou, Suqian, Taizhou (Zhejiang Province), Taizhou (Jiangsu Province), Wenzhou, Wuxi, Wuhu, Xuzhou, Yangzhou, Zhenjiang

Southern China

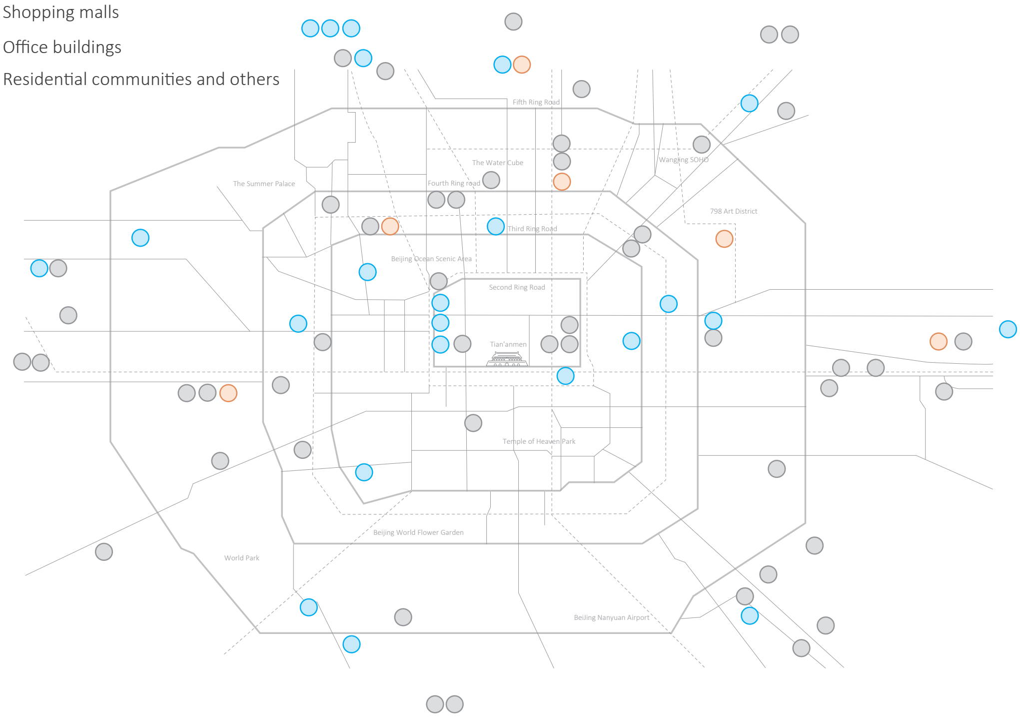
Shenzhen, Guangzhou, Zhongshan, Xiamen, Sanya, Haikou, Foshan, Fuzhou, Jiangmen, Maoming, Nanning, Zhanjiang, Zhangzhou, Liuzhou

Central and Western China

Chengdu, Guiyang, Kunming, Lanzhou, Urumqi, Xi'an, Xining, Yuxi, Chongqing, Ezhou, Ganzhou, Hebi, Huaihua, Kaifeng, Leihe, Nanchang, Sanmenxia, Shangqiu, Wuhan, Xiangtan, Xinxiang, Xuchang, Yongzhou, Changsha, Zhengzhou, Zhoukou

78+ Properties under management in Beijing (including commercial operations)

- Shopping malls
- Office buildings
- Residential communities and others

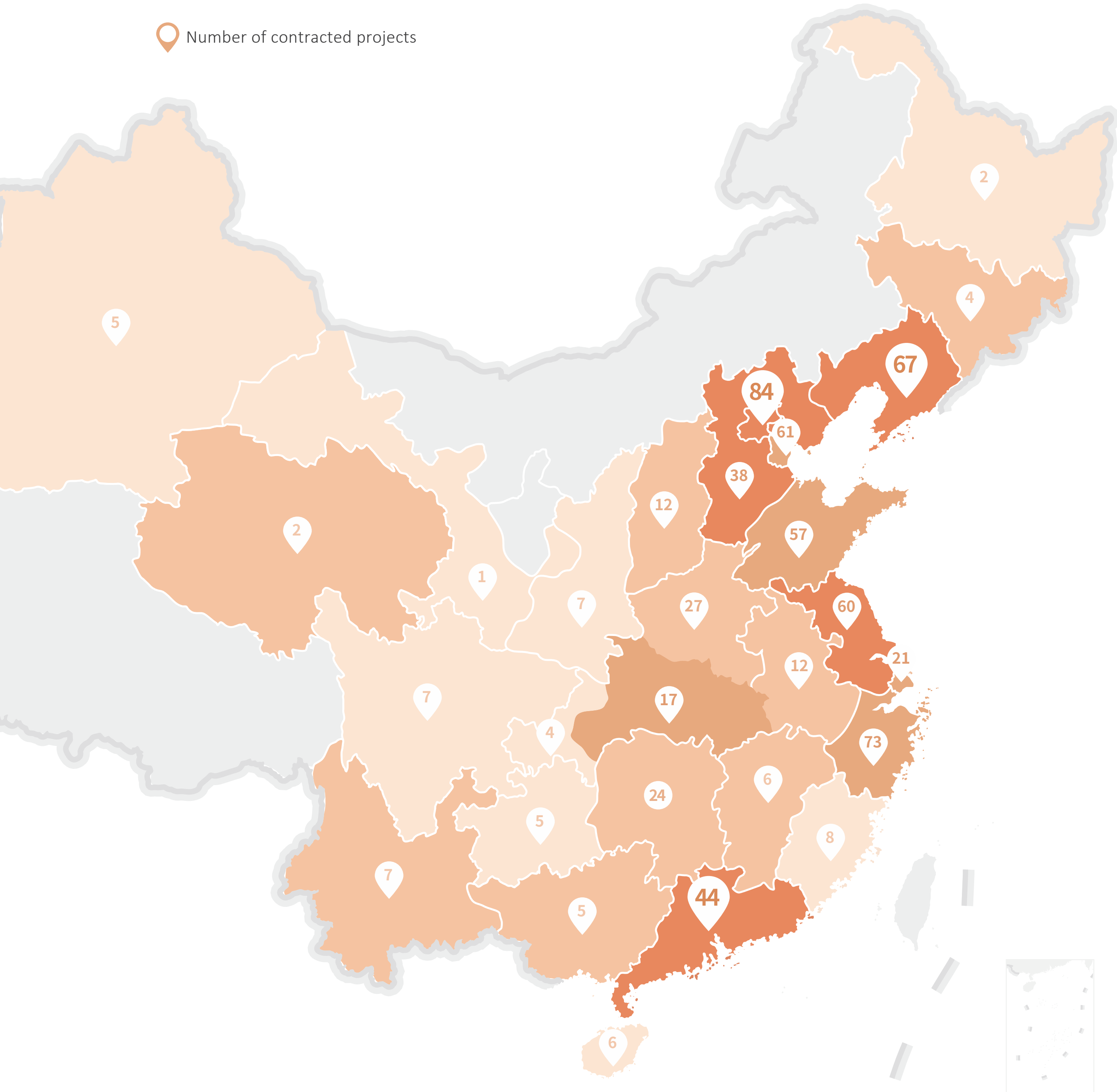


The map below illustrates geographic coverage of the Group's contracted GFA and number of property management projects as at 30 June 2023:

Contracted GFA (million sq.m.)

< 1   ≥1 to <5   ≥5 to <10   ≥10

Number of contracted projects



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 of committee)
Mr. CUI Hongjie
Mr. ZHU Xiaoxing
Dr. GUO Jie
Mr. HO Chi Kin Sammy

Nomination Committee

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

Remuneration Committee

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

Company Secretary

Mr. SUM Pui Ying

Authorised 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
Bank of Communications Co., Ltd.
China CITIC Bank International Limited
China Construction Bank Corporation
China Everbright Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
CMB Wing Lung Bank Limited
Industrial and Commercial Bank of China, Ltd.
Shanghai Pudong Development Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

Auditor

BDO Limited
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

Six months ended 30 June

(RMB million)	2023 (Unaudited)	2022 (Unaudited and Restated)	Changes
Revenue	1,556	1,624	−4%
Gross profit	321	429	−25%
Gross profit margin (%)	21%	26%	−5pts
Profit for the period	128	270	−52%
Net profit margin (%)	8%	17%	−9pts
Profit attributable to owners of the Company	129	267	−52%
Basic and diluted earnings per Share (RMB)	0.11	0.23	−52%
Interim dividend per Share (RMB)	—	0.136	−100%

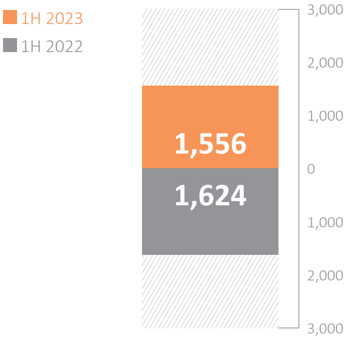
CONSOLIDATED FINANCIAL POSITION

(RMB million)	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited and Restated)	Changes
Total assets	4,259	4,260	—*
Total equity	2,237	2,308	−3%
Equity attributable to owners of the Company	2,186	2,257	−3%
Cash and cash equivalents	624	473	32%
Current ratio (times)	1.6	1.7	−6%

* Below 1%

Revenue

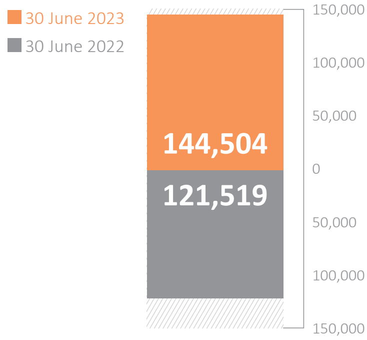
(RMB million)



down from 1H 2022
4%

Contracted GFA

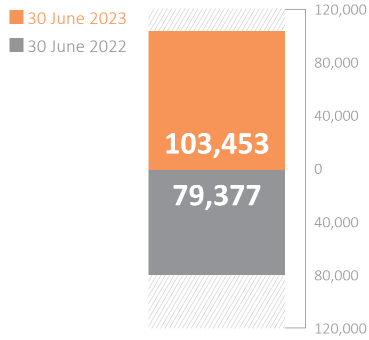
('000 sq.m.)



up from 30 June 2022
19%

GFA under management

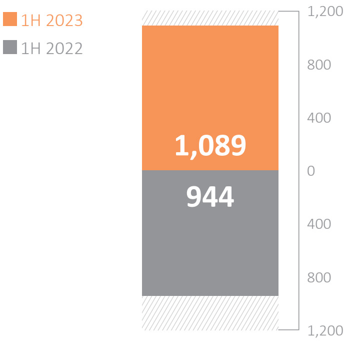
('000 sq.m.)



up from 30 June 2022
30%

Revenue from property management and commercial operational services

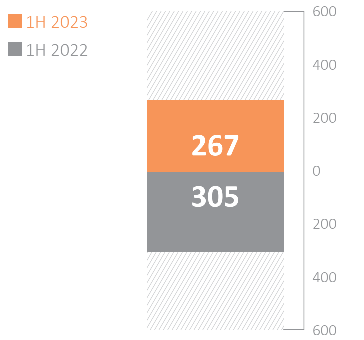
(RMB million)



up from 1H 2022
15%

Revenue from community value-added services

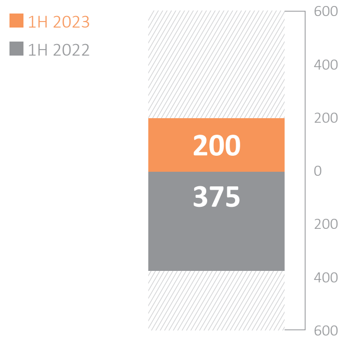
(RMB million)



down from 1H 2022
12%

Revenue from value-added services to non-property owners

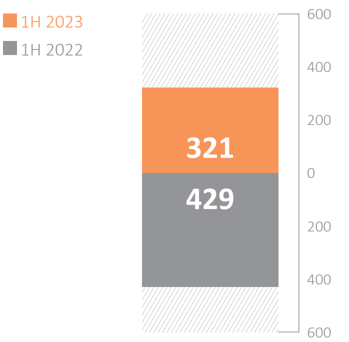
(RMB million)



down from 1H 2022
47%

Gross profit

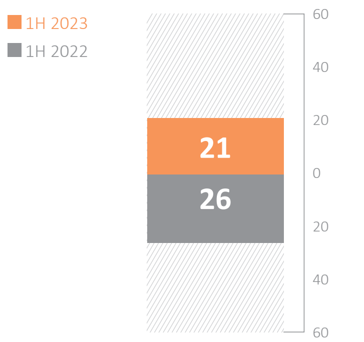
(RMB million)



down from 1H 2022
25%

Gross profit margin

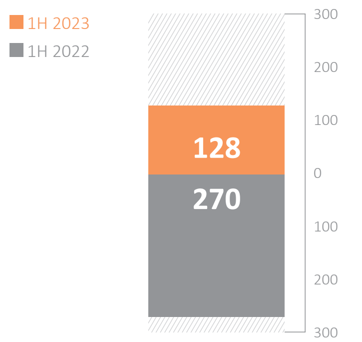
(%)



down from 1H 2022
5 pts

Profit during the period

(RMB million)



down from 1H 2022
52%

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 2023.

MARKET REVIEW FOR THE FIRST HALF OF 2023

During the first half of 2023, as a result of the full resumption of the economy and social functions and the effectiveness of the macro policies, national economy began to rebound and high-quality developments progressed sustainably. The state and governments at each level rolled out policies to promote community support for elderly, grass-roots governance and renovation management. Corresponding guidance and support were actively offered from the top for promoting efficient and sustainable property industry development. Under such circumstances, the property industry was experiencing a moderate and stable recovery. The outskirt and inner of the industry are on the course of reshaping, the types of service to be offered are broadening, ways to delivery services are constantly evolving and the degrees of technology and intelligence across were deepening. On the other hand, the property industry is still facing multiple pressures and challenges, the growth under the scale of property management slowed down and readjusted to a more rational level. The property industry is currently under the stage of in-depth adjustment and expected that the level of market concentration will further increase. Focusing on the roots of service and value creation have increasingly become an industry consensus. Adhering to the principles of high-quality growth and provision of quality essential services have become the cores under the development of property management enterprises. At the same time, the industry sought for and developed on quality and suitable value-added services opportunities by providing refined and in-depth services, unleashing the services' potential value, and implementing a wider range of services to expand the urban servicing coverages. In terms of mergers and acquisitions, the emphasis has been focusing on field segmentation, putting an end to the era of expansion predominantly through mergers and acquisitions. The emphasis will now focus on specialised professional operation and raising quality of projects under management, while abandoning low-profit or loss-making projects under the profitability requirements, and putting emphasis on seeking external market-oriented expansion in terms of scale.

In the first half of the year, we adhered to our original aspirations and continued to consolidate our foundation of sustainable development through trials and hardships, forging ahead towards quality and sustainable growth. We advanced our expansion steadily and established a benchmark for the main business, continued to improve the service quality and created an unique community culture. We probed into property owners' necessity and continually intensified the value-added business; strengthened refined management and explored innovative operating models; continued to optimise the system for standardised service to improve the service quality; and carried out energy-saving and environmental protection optimisation to achieve sustainable development. We upheld the artisan's spirit for creating high-quality services, and focused our services based on the users' needs, and made unremitting efforts with the aim to become a branded superior integrated property management service provider in China.

2023 INTERIM RESULTS

For the six months ended 30 June 2023, our Group's revenue was RMB1,555.8 million, down approximately 4% YoY, gross profit was RMB321.5 million, down approximately 25% YoY. Net profit for the period was RMB128.4 million, down approximately 52% YoY. Profit attributable to owners of the Company was RMB128.7 million, down approximately 52% YoY. Earnings per share was RMB0.11, down approximately 52% YoY.

Persisted in penetration of key districts, pursued quality and steady expansion

As at 30 June 2023, under the expansion strategy of focusing primarily on residential and commercial properties, as well as synergistic development of diverse businesses, we have deeply explored key types of business and carried out development on various businesses simultaneously, securing projects on residential and commercial premises, offices, schools, hospitals, industrial parks, logistics parks, internet data centers, government facilities and urban space.

In the first half of the year, our business scale remained at above the level of 100 million. As at 30 June 2023, our contracted GFA was 144.5 million sq.m., up approximately 19% YoY; GFA under management was 103.5 million sq.m., up approximately 30% YoY, as a result of the Group's remarkable expansion efforts. Accumulated contracted GFA from third-party reached 83.8 million sq.m. New contracted GFA from third-party was approximately 91% out of total new contracted GFA (including mergers and acquisitions projects). We adhered to pursuing quality and sustainable expansion, focusing on high quality projects in penetrated cities. During the first half of 2023, Sino-Ocean Service continued to increase the density of management scale in penetrated cities. As at 30 June 2023, the area of properties under management in first-tier and second-tier cities reached 85%, including but not limited to Beijing, Tianjin, Qingdao, Dalian, Chengdu and Wenzhou where we had established a heavy presence, as the advantage in scale continued to be strengthened.

We valued the establishment of communication channels for customers, and through our continuous effort on channels development and maintenance, we were able to interact and strengthen the relationship with both existing and new customers, and accurately understood customers' core needs. In the first half of 2023, our new high-end residential projects included Beijing China Construction Chang'an Lufu Phase II, Kunming Light, Qingdao Grace River and Dalian Wenyuan Villa. Our new non-residential projects included important customers such as Beijing 1733, CNOOC Zhanjiang Base and COSL Tianjin Industrial Park. The customised and streamlined management empowered customer management, which improved efficiency for customers and created a highly-satisfying property management experience for customers. We continued to elevate our external competitiveness of logistics parks, secured key logistic projects such as JD Asia One Tianjin Dongli Logistics Park (phases 1 & 2) and JD Asia One Chengdu Xindu Logistics Park (phase 1). We attached great importance to the key urban services projects. In terms of facilities and equipment operation and maintenance services, we expanded headquarters for enterprises and central state-owned enterprises. New projects such as SF North China Smart Logistics Headquarters and CSCEC Industrial Technology Research Institute were secured. Our professional expertise and abundant experience in the operation and maintenance of medical facilities and equipment secured us the tender for the Chinese People's Liberation Army No. 148 Hospital project, enhancing our services on medical projects.

Raised service quality continuously, satisfied customers' diverse needs

In order to satisfy property owners' living needs at multiple levels, we actively explored the depth and breadth of the community value-added services, and strived to become the reliable 'one-stop asset butler' that property owners could rely on. Amongst community living services, we focused on the three major areas: retail sales of commodities, home service and catering service. Through the collaborative initiatives of online and offline channel operations, it enabled the delivery of high quality and cost-effective products, as well as efficient and convenient home service, satisfying property owners' needs for food, clothing, housing, travelling and entertainment. As for leasing and sale, we upgraded the linkage model between real estate brokerage and property management services, created an universal community asset consultancy, and made efforts amongst the high-end residential market, which drove the transactions to increase significantly. For home decoration services, we continued to upgrade the service standardised system, expanded high-quality supplier resources, learned more about the customers' needs and delivered personalised home decoration services. For community space operation services, we continued to focus on residents' needs and introduced convenience service facilities and businesses, such as parcel lockers, potable water machine, charging piles and vending machines so as to increase the coverage of convenience facilities and businesses.

For value-added services to non-property owners, we attached great importance to building our professional capabilities. Our professional firm Beijing Yiyang Times Building Technology Co., Ltd.* (北京億洋時代樓宇科技有限公司) continued to make efforts in property engineering services with true understanding of customers' needs, optimised process management, revised standardised mechanism, enhanced services efficiency, while creating long-term and stable demand through service quality and setting foot in the field of professional services through diversified cooperation method. In the first half of the year, cooperation was formed with major clients such as RONGTONG Real Estate Management Co., Ltd., China Overseas Property Management Co.,Ltd., Poly Property Services Co., Ltd., China Merchants Property Management Co., Ltd., Hebei Xiongan Urban Development Life Service Co., Ltd. with their contracts accounted for 88% of total contract sum.

Unlocked the unique operating models of commercial properties, raised both satisfaction and popularity

We were committed to integrating the operation of commercial properties with property management, and created the full-cycle closed loop of property and asset managements. Through excellent high-end property management and asset management operations of commercial properties, we explored and developed unique operating models to enhance brand competitiveness and marketing premium. In terms of shopping malls, we captured the opportunity of retail business recovery, actively explored new operation models and launched seasonal activities. Through the characteristics of brand customers group and exclusive VIP events, we promoted recovery of sales, created confidence to tenants and elevated the energy in malls. In the first half of the year, customer traffic in operating projects increased by 16.8% YoY, and the total number of members increased by 35.9% YoY. We were committed to replicating a high-quality business operation and management model, and continued to expand the scale of product lines for shopping malls. In the first half of the year, Tianjin Future World and Grand Canal Place (Beijing) successfully launched grand opening. In terms of office building, we also dug deep to probe into office occupants' core needs, provided customised value-added services such as conference services, green management and aldehyde removal cleaning, to secure higher efficiency and convenience in the work place. We cared about office workers' needs, consolidated the tenants' resources, organised events under various themes, and enhanced the office atmosphere, which improved office efficiency and at the same time, provided a platform for companies to communicate. Under the background of the goals of "carbon peaking and carbon neutrality", we created unique green value around the office buildings through energy-saving transformation, energy consumption control and waste reduction, which not only elevated the comfort level at office, but also achieved the goal of low carbon.

Consolidated the foundation of quality services, practiced the sustainable development concept

We adhered to the basis of providing services at the best quality, remained customer-oriented and focused on improvement of services quality and the accumulation of professional capabilities. During the first half of the year, we treated regions as units to carry out special campaigns, implemented quality renovations, to upgrade quality and comfort in the living environment. We delivered solid basic services, effectively provided solutions to customers' pain points, and improved both the software and hardware aspects of the property services under a balanced manner. Supported by the quality services, we promoted an orderly, quality and steady expansion of management scale, broadened our brand influence and extended value-added services for achieving comprehensive high-quality development. During the first half of the year, we managed to effectively reduce the number of complaint by 17.73% YoY.

We continued to support the goals of "carbon peaking and carbon neutrality", formulated scientific emission reduction targets, improved the ESG level, gradually promoted green property management and explored relevant management models. We set up an emission reduction target, and formulated a scientific and reasonable carbon targets through the establishment of 'carbon ledger' as a guidance for corporate behavior. This would enable the Company to maintain its competitive advantages under the process of green development and high-quality development. We continuously strengthened our ESG development, shaped an image of social responsibility, green and low carbon, and good corporate governance, strived to achieve efficiency in financing through green finance.

While helping customers to reduce energy consumption and enhance efficiency, we were also striving to achieve sustainable and quality development ourselves. We adhered to the use of refined management to empower the Company for enhancing the efficiency, strengthening the collection of receivables, better cash flow management, and insisted on the development of high-quality businesses and disposal of low-efficiency projects. Talents nurturing and team construction have always been vital to us. In the first half of the year, the talent development training camp was carried out to encourage employees to advance their career path. Through the combination of talent development training camp, online courses and special empowerment training, staff's management and operation capabilities and job skills are improved to meet the requirement for enhancing staff competence at various job positions.

We adhered to our origins of service provision, firmly focused on users' need and satisfaction. Our services and professional ability were recognised by owners, tenants and the industry. In the first half of the year, we were awarded the "2023 TOP100 Property Management Companies of China (Ranked 13th)", "2023 China Leading Property Management Companies — High-end Properties" and "2023 China Property Management Companies in terms of Characteristic Service — Outstanding Enterprise in Asset Management and Operation" issued by the China Index Academy; "2023 China's Top 20 Property Service Enterprises in Comprehensive Strengths" and "2023 Quality Leading Companies of China in Property Service" issued by CRIC Property Management and CPMRI; "2023 Top 10 Satisfaction Score in Property Services in China" issued by Leju Financial News; and "2023 TOP 12 Listed Property Management Companies of China" issued by EH Consulting.

2023 SECOND HALF OUTLOOK

With the improvement of people's pursuit for better living standard and continuous refinement of grass-roots governance, the development environment of property management industry will gradually improve, and the demand for high quality property services will continue to increase. The light asset and strong cash flow characteristics of the property management industry will support property companies with good branding and excellent services to usher in multi-scenario and multi-level development space.

In the second half of 2023, we shall continue to adhere to our original aspiration and mission of 'serving customers with an artisan's spirit', improve service quality continually, strengthen our professional and service capabilities to craft quality living. We shall persevere on the strategic planning of 'one body, two wings', optimise the business structure, promote valuable resources, tap into potential co-operation channels in the region, adopt differentiating and specific proposals for different businesses; innovate our operating model, improve on our management system, raise quality and efficiency by streamlining management, continue to augment meticulous operation in two dimensions, build stronger cost-control systems, optimise standardised and systematic operation to ensure expansion of a high caliber. We shall probe growth potential, break through business bottlenecks, craft major products, market and teams according to customers' needs to bring about sustainable development of scale.

Making progress in a steady and prudent manner would enable us to continue to adhere to the sustainable, high-quality and unswerving development strategy of the service industry, and strive to become a branded superior integrated property management service provider in China.

APPRECIATION

On behalf of the Board, I would like to extend my deepest gratitude to all Shareholders, investors, customers, business partners, the government for the tremendous support 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, 22 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of the Group's discussion and analysis for the six months ended 30 June 2023 is set out below:

BUSINESS REVIEW*

Business overview

The Group is 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.

* In this report, the condensed consolidated interim financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. For the details on the adoption, please refer to the section headed "Business combinations under common control" of the Note 1 of the Condensed Consolidated Interim Financial Statements.


Value-added services to non-property owners
Property management and commercial operational services

Property management and commercial operational services

For the six months ended 30 June 2023, the Group's revenue from property management and commercial operational services amounted to RMB1,089.4 million, accounting for approximately 70% of the Group's total revenue.

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

For the six months ended 30 June

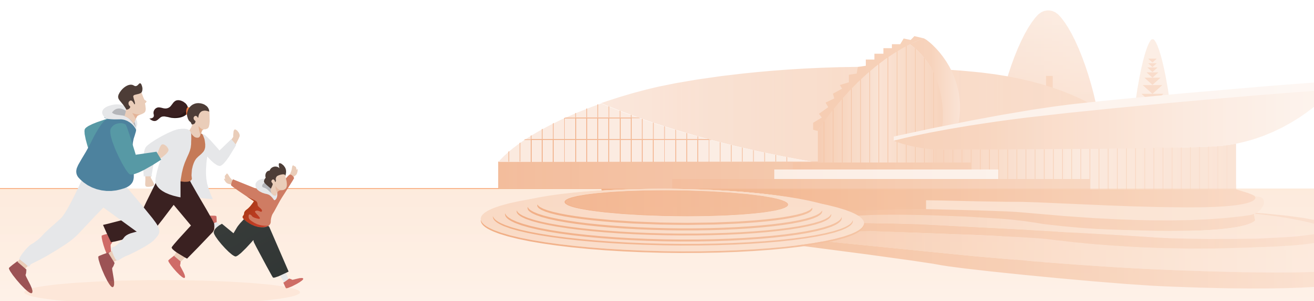
	2023		2022	
	Revenue (RMB'000)	%	Revenue (RMB'000)	%
Property management services on residential and other non-commercial properties	835,189	77	666,276	71
Commercial operational and property management services on commercial properties	254,195	23	277,256	29
Total	1,089,384	100	943,532	100

Stable development of principal businesses and synergistic development of diverse businesses to facilitate business mix optimisation. As at 30 June 2023, our contracted property management services for various business types amounted to 666 projects, with contracted GFA of 144.5 million sq.m. and GFA under management of 103.5 million sq.m., growing by approximately 19% and 30%, respectively, compared to 30 June 2022. During the period, the Group continued to seek expansion through multiple channels, such as tendering, joint venture and strategic cooperation, as it continued to expand its diverse servicing regime covering schools, hospitals, industrial parks, logistics parks, internet data centers, government facilities and urban space on top of residential properties, while actively engaging in integrated urban operational services and smart city development.

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

As at 30 June

	2023	2022
Contracted GFA ('000 sq.m.)	144,504	121,519
Number of projects relating to contracted GFA	666	522
GFA under management ('000 sq.m.)	103,453	79,377
Number of projects relating to GFA under management	539	392



Staying focused on cities with deep engagement to consistently enhance management density and regional advantage in scale. During the period, the Group was focused on developing quality projects in cities where it had established a heavy presence, persisting in deep engagement in key business segments, catering to core customer demands and optimising performance-based incentives on the back of ongoing channel development and maintenance to further enhance its independent market development ability. For the first half of 2023, the percentage share of third parties in the Group's total contracted GFA increased to approximately 58%, with third parties accounting for approximately 91% of our newly added contracted GFA.

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

As at 30 June

	2023				2022			
	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)	60,667	42	50,205	49	58,402	48	46,219	58
Properties developed/owned by other third parties[1]	83,837	58	53,248	51	63,117	52	33,158	42
Total	144,504	100	103,453	100	121,519	100	79,377	100

Note:

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

As at 30 June 2023, our projects covered 89 cities across 28 provinces, municipalities and autonomous regions in China. Our geographical presence covered 5 major city clusters, including the Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China region, Southern China region and Central and Western China region. We have a significant regional advantage in the 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 2023, the Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China region, Southern China region, and Central and Western China region accounted for approximately 33%, 22%, 19%, 13% and 13%, respectively, of our GFA under management.

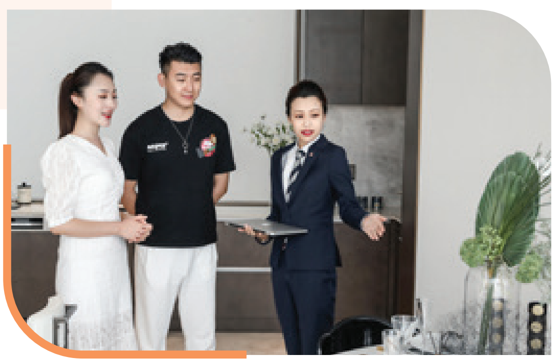
The table below sets forth a breakdown of the Group's contracted GFA and GFA under management by geographic location as at the dates indicated and revenue generated from its property management services for the six months ended 30 June 2023 and 2022 respectively:

As at or for the six months ended 30 June

	2023				2022			
	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	Revenue (RMB'000)	Revenue %	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	Revenue (RMB'000)	Revenue %
Beijing-Tianjin-Hebei region[1]	49,050	33,654	346,659	33	42,234	27,727	346,285	38
Bohai Rim region[2]	30,997	22,895	196,261	19	25,683	18,175	162,906	18
Eastern China region[3]	25,023	19,237	235,362	22	19,022	14,471	188,441	21
Southern China region[4]	16,110	13,444	127,027	12	17,552	8,717	107,537	12
Central and Western China region[5]	23,324	14,223	141,587	14	17,028	10,287	94,718	11
Total	144,504	103,453	1,046,896	100	121,519	79,377	899,887	100

Notes:

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



The Group's property management projects are mainly concentrated in first-tier and second-tier cities such as Beijing, Tianjin, Hangzhou and Chengdu. First-tier and second-tier cities accounted for approximately 85% of our GFA under management.

The table below sets out a breakdown of the contracted GFA and GFA under management in cities where the Group's property management projects were primarily located as at 30 June 2023 according to the city classification by China Business Network in 2023:

	Contracted GFA		GFA under management	
	('000 sq.m.)	%	('000 sq.m.)	%
First-tier cities	**21,368**	**15**	**18,698**	**18**
New first-tier cities	**34,109**	**24**	**25,616**	**25**
Second-tier cities	**51,994**	**36**	**43,704**	**42**
Other cities	**37,033**	**25**	**15,435**	**15**
Total	**144,504**	**100**	**103,453**	**100**

Staying focused on the essence of service and persisting in delicacy operation to achieve qualitative and sustainable development. During the first half of 2023, we enhanced delicacy operation and achieved qualitative and sustainable development in line with our strong emphasis on service quality and persistent commitment to providing services to users with an artisan's spirit. Following the compilation of a white paper and a video presentation for service standards in 2022, we further adjusted and updated the service standards and strengthened training for front-desk staff through tracking assessment during the period based on the customer-oriented principle, with a view to further implementing the service standards to every detail in service. In line with the Sino-Ocean community model of "Joining forces for a healthy society", the "Sino-Ocean Base for the Growth and Practice of Junior Citizens" was jointly established by Ocean Paradise and Community Residents' Committee in Beijing, Sino-Ocean Group and Sino-Ocean Charity Foundation, organising activities such as literacy learning, collection of welfare donations and family fun activities throughout the year to foster a community environment conducive to the healthy growth of children and a community ambience underpinned by harmony and compassion where owners are able to enjoy a friendly neighbourhood culture. Special initiatives such as "New Green Health+ for Old Communities", "Production Safety Month" and the "100-day Incident-free Safety Campaign" were organised to upgrade the community environment, while emergency drills, promotion on safety matters were strengthened and special training were launched to ensure continuous improvement in our crisis management for the protection of community safety on all fronts.

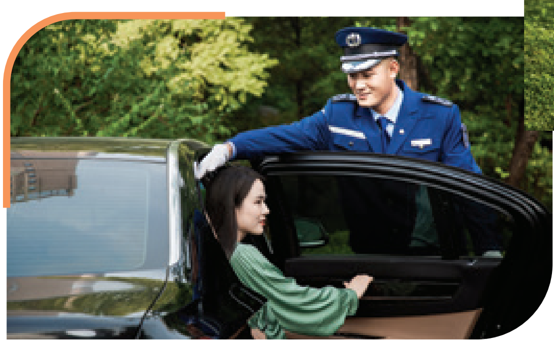
Property management services on residential and other non-commercial properties

As at 30 June 2023, the contracted GFA and GFA under management of the Group's residential and other non-commercial property projects were 132.8 million sq.m. and 96.7 million sq.m., respectively, growing by approximately 16% and 29%, respectively, as compared to 30 June 2022. There were a total of 573 contracted property management projects, representing an approximate 24% growth compared to 30 June 2022.

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

As at 30 June

	2023	2022
Contracted GFA ('000 sq.m.)	132,796	114,109
Number of projects relating to contracted GFA	573	461
GFA under management ('000 sq.m.)	96,736	74,861
Number of projects relating to GFA under management	465	344



Commercial operational and property management services on commercial properties

For the six months ended 30 June 2023, the Group's revenue from commercial operational and property management services on commercial properties amounted to RMB254.2 million, decreasing by approximately 8% compared to the same period of the previous year.

The table below sets forth a breakdown of the Group's contracted GFA and GFA under management of commercial operational and property management services on commercial properties as at the dates indicated:

	As at 30 June	
	2023	2022
Property management services		
Contracted GFA ('000 sq.m.)	**11,708**	7,410
Number of projects relating to contracted GFA	**93**	61
GFA under management ('000 sq.m.)	**6,717**	4,516
Number of projects relating to GFA under management	**74**	48
Commercial operational services		
Contracted GFA ('000 sq.m.)	**600**	2,132
Number of projects relating to contracted GFA	**11**	27
GFA under management ('000 sq.m.)	**600**	1,369
Number of projects relating to GFA under management	**11**	20

Enhancing the standard of commercial property operation and developing feature customers to forge brand reputation. As at 30 June 2023, the Group provided commercial property management services to projects with a contracted GFA of 11.7 million sq.m. and GFA under management of 6.7 million sq.m., growing by approximately 58% and 49%, respectively, as compared to 30 June 2022. First-tier and second-tier cities accounted for 99% of our GFA under management. Focused on the two principal business forms of shopping malls and office buildings, the Group's commercial property management services optimised the quality and effectiveness of service management through a quality control mechanism and provided commercial property services with Sino-Ocean characteristics through collaboration with premium brands. The Company advanced intelligent conversion on an ongoing basis and implemented detailed energy-saving measures to facilitate ongoing improvements in project quality and operational efficiency.

Innovations in asset management operations as property-operation integration enhances customer experience. As at 30 June 2023, GFA under management of projects for which the Group provided commercial operational services amounted to 0.6 million sq.m., decreasing by approximately 56% compared to that as at 30 June 2022, which was due to the decline in the parent company's demand for asset management services under the impact of overall economic conditions and conditions in the property market. During the period, we continued to implement and deepen the model of property-operation integration under the asset-light model. In connection with feature community activities, an innovative community service model was established through the collaborative actions of the property team and the operations team to increase customers' reliance and improve the overall operational and service standards of our projects. Through collaborative actions of projects in the same region, a marketing model with uniform themes and promotion means was adopted to consolidate resources as well as enhance brand competitiveness and reputation. Through the launch of a variety of membership activities, offline customer traffic was effectively increased to stimulate business vigor.

Community value-added services

Expanding coverage of value-added services and enhancing the depth of business services. For the six months ended 30 June 2023, revenue from community value-added services amounted to RMB266.7 million, decreasing by approximately 12% compared to the same period of the previous year and accounting for approximately 17% of the Group's total revenue. In the first half of 2023, we were engaged in resolute development of the four major businesses of "community living, leasing and sale, home decoration and spatial resources", on the basis of which we delineated subsidiary segments in the value-added services with in-depth considerations for business directions, principles and service standards according to differentiations in and characteristics of customer needs, in a bid to further procure the stable and sound development of value-added services. In connection with community living services, we continued to enrich our product range based on the owners' day-to-day needs with a special focus on community retail and door-step and catering services, touching the actual needs of owners whilst building an innovative marketing model. In connection with lease and sales services, our model for joint operation was optimised, while ongoing finetuning was made to the service standards to effectively enhance business results per capita. Regarding home decoration services, we continued to advance the model of services for existing homes while reporting breakthrough and innovation in the new home business. The home decoration presale marketing business was launched and a replicable model was formed. In connection with spatial resources, our business direction was primarily underpinned by the introduction of convenience services and facilities, increasing the coverage of daily-life facilities and meeting and satisfying the needs of owners based on delicacy operation and data analysis.

Exploring value-added services and innovative businesses to construct interrelated business scenarios. We were actively developing innovative businesses as an explorer of urban community retail innovation. Through the collaborative initiatives of online and offline operations and on the back of consumer data research, brand packaging and community operation, the stable conversion of products was achieved. We were consistently identifying premium commodities to create a nationwide pool of popular products, such that more premium products offering great value of money could reach the owners directly in realisation of the value of property service. We actively commenced business research, exploration and trial runs to identify customer demands and constructed closely associated business scenarios on the back of customer resources, operational support, spaces and value-added services, thereby facilitating integration and sharing of internal sources to generate complementary value among businesses.

The following table sets forth a breakdown of the Group's revenue generated from community value-added services by service types for the six months ended 30 June 2023 and 2022, respectively:

For the six months ended 30 June

	2023		2022	
	(RMB'000)	%	(RMB'000)	%
Community asset value-added services[1]	**189,240**	**71**	156,524	52
Community living services[2]	**33,104**	**12**	98,073	32
Property brokerage services[3]	**44,342**	**17**	50,092	16
Total	**266,686**	**100**	304,689	100

Notes:

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

2) Community living services mainly include housekeeping and cleaning services, repair and maintenance services of home electrical appliances and equipment, retail sales of commodities, home decoration services and other bespoke services.

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

Value-added services to non-property owners

Enhancing presence in the facilities and equipment maintenance sector to further expand business scope while improving service quality in coordination with the property segment. For the six months ended 30 June 2023, revenue from value-added services to non-property owners amounted to RMB199.8 million, decreasing by approximately 47% as compared to the same period of the previous year and accounting for approximately 13% of the Group's total revenue. During the period, the Group completed the acquisition of Sino-Ocean Mechatronics, which was in the ongoing process of integration with the Group's technical and brand advantages in project engineering and intelligent services to further expand the scope of professional facilities and equipment services and enhance the Group's competitiveness in the facilities and equipment maintenance sector. Moreover, in line with the principle of providing customer-oriented artisan services, we were focused on quality enhancement in connection with property engineering services for projects under management, as we enhanced the maintenance and repair of public facilities and reduced the rate of risk and breakdown in residential areas under our management to further enhance customer satisfaction and increasing customer reliance.

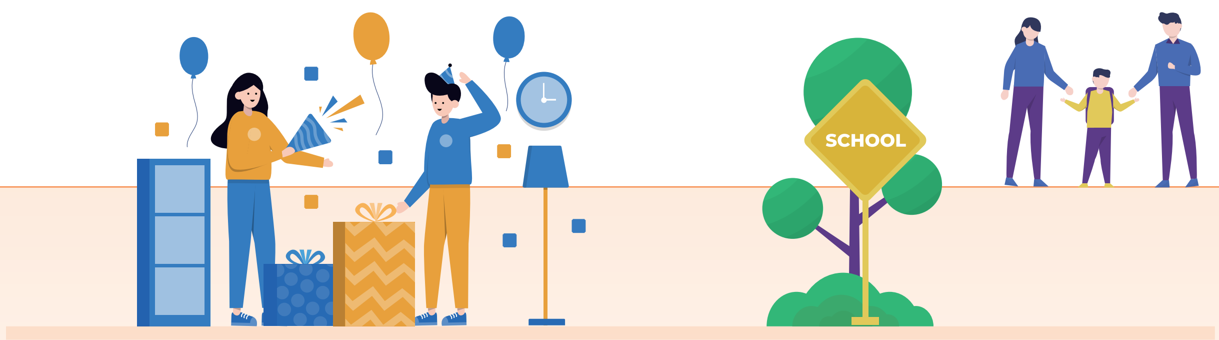
The following table sets forth a breakdown of the Group's revenue generated from value-added services to non-property owners by service types for the six months ended 30 June 2023 and 2022 respectively:

For the six months ended 30 June

	2023		2022 (Restated)	
	(RMB'000)	%	(RMB'000)	%
Pre-delivery services[1]	85,955	43	107,062	29
Consultancy services[2]	55,618	28	106,973	28
Property engineering services[3]	58,194	29	161,411	43
Total	199,767	100	375,446	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 the early stage of their property development on the overall planning of properties and coordination of their relevant pre-sale activities to avoid possible planning issues and reduce development and construction costs as well as operation and management costs at the later stage.
3) Mainly represents property engineering services to property developers and other property management companies, including engineering, greening, gardening, repair and maintenance of residential communities and non-residential properties, equipment operation and maintenance and the upgrade of smart security systems.



FUTURE DEVELOPMENT PLANS AND OUTLOOK

Intensive operations in advantageous regions and synergistic development of diverse businesses to achieve qualitative growth.

We will be focused on the development of quality projects in cities where we had established a heavy presence. In key cities where we already have a presence, we will continue to enhance management density and efficiently achieve management coverage and synergies in terms of resource allocation among different regions. Whilst persisting in residential and commercial property management as our principal business segments, we will also explore businesses with schools, industry parks and hospitals. A strong emphasis will be placed on the building and maintenance of channels for strategic customers and implementation of cooperative projects, as preliminary research on third-party projects will be optimised and collaboration between the headquarters and regional offices will be developed, while mechanisms for effective liaison and negotiations with customers will be established to accurately understand customers' requirements, so as to further expand the scale of premium property management projects. In the meantime, the internal incentive policy will be enhanced and staff teams will be expanded, while diversified models of cooperation will be provided to achieve qualitative and sustainable growth in third-party projects.

Upgrading and reinforcing our service standards with a special focus on quality improvement and brand image enhancement.

We will continue to deepen the implementation of service standards and upgrade and adjust our property service standards through problem rectification and assessment to improve and optimise the "Sino-Ocean Service Standards White Paper" 2.0. Based on the core customer-centric principle, we will build a 24-hour service regime covering all regions with a special focus on the differentiated needs of customers, with a view to deepening the contents of our service and the building of regimes. We will advance our work in customer visits and strengthen the management of complaints, as we seek to understand customers' demands in a timely manner and adjust and improve the contents of our services through the application of the Company's customer visit system. Complaint management will be strengthened with a special emphasis on the timeliness of response to and handling of complaint, in order to effectively enhance owners' satisfaction. We will continue to deepen our staff training and team building regimes, optimise junior staff incentives and appraisal, enhance staff care and empowerment and strengthen team building and development of professional competence in order to achieve long-term, stable and high-quality customer servicing relations and enhance customer satisfaction and reliance.

Persisting in delicacy operation to enhance quality of project operation and management and deepen development of a diversified business regime.

In resolute upholding of service quality, we will persist in the principle of delicacy operation with efforts to streamline specific operating conditions of projects, drive tiered cost control, optimise per capita efficiency and improve operational efficiency of projects under management. In the meantime, we will focus on optimising the details of service operations, implementing delicacy operation in operational and business details as we seek to understand and fulfill the differing needs of owners with a user-oriented approach whilst further upgrading our rudimentary property service standards. In connection with value-added services, we will further identify scenarios of consumer spending on services, encouraging regional and project offices to customise innovative value-added services according to actual local conditions and trends. In connection with value-added services to non-property owners, we will continue to extend our existing advantage in facilities and equipment maintenance. By integrating and coordinating the resources and capacities of the Company's specialised subsidiaries to address requirements of customers from projects under management, we will further enhance the delicacy of our services, thereby increasing the Company's competitiveness in the facilities and equipment maintenance sector and driving improvements in our ability to develop third-party customers. In connection with commercial assets, we will continue to explore contents for feature services, drawing from the experience of existing projects in property-operation integration, while enhancing the abilities of the commercial operation team and property management team for integrated services to bolster our brand image.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2023 decreased slightly by approximately 4% to RMB1,555.8 million, from RMB1,623.7 million (restated) for the six months ended 30 June 2022. 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 70%, 17% and 13% of the Group's total revenue, respectively.

The following table sets forth the breakdown of our unaudited total revenue by business lines for the six months ended 30 June 2023 and 2022, respectively:

For the six months ended 30 June

	2023		2022 (Restated)	
	(RMB'000)	%	(RMB'000)	%
Property management and commercial operational services				
(a) Property management services on residential and other non-commercial properties	835,189	54	666,276	41
(b) Commercial operational and property management services on commercial properties	254,195	16	277,256	17
Sub-total	1,089,384	70	943,532	58
Community value-added services	266,686	17	304,689	19
Value-added services to non-property owners	199,767	13	375,446	23
Total	1,555,837	100	1,623,667	100

Revenue from property management and commercial operational services for the six months ended 30 June 2023 increased by approximately 15% to RMB1,089.4 million from RMB943.5 million for the six months ended 30 June 2022, amongst which (a) revenue from property management services on residential and other non-commercial properties increased by approximately 25% to RMB835.2 million for the six months ended 30 June 2023 from RMB666.3 million for the six months ended 30 June 2022. The increase was mainly attributable to an increase in our GFA under management, which reached 96.7 million sq.m. as at 30 June 2023 (30 June 2022: 74.9 million sq.m.) with an increase in the number of properties under management to 465 as at 30 June 2023 (30 June 2022: 344), due to our business expansion; and (b) the decrease in revenue from commercial operational and property management services on commercial properties of approximately 8% to RMB254.2 million for the six months ended 30 June 2023 from RMB277.3 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in demand of property services from parent company and the decrease in our GFA under management of commercial operational services due to the overall economic situation and real estate market.

Revenue from community value-added services for the six months ended 30 June 2023 decreased by approximately 12% to RMB266.7 million (six months ended 30 June 2022: RMB304.7 million), which was mainly attributable to (i) overall economic situation and real estate market downturn, revenue from community living services and property brokerage services decreased; and (ii) change in revenue structure, especially for home decoration services during the first half of 2023, the total revenue of home decoration services decreased as a result of more income being recognised under commission and net amount basis, as compared to the corresponding period of 2022.

Revenue from value-added services to non-property owners for the six months ended 30 June 2023 decreased by approximately 47% to RMB199.8 million (six months ended 30 June 2022: RMB375.4 million (restated)). The decrease was mainly driven by (i) revenue from consultancy services which decreased by approximately 48% to RMB55.6 million for the six months ended 30 June 2023 from RMB107.0 million for the six months ended 30 June 2022 due to less consultancy services attributed to the decrease in pre-sale activities in the PRC real estate market; and (ii) revenue from property engineering services which decreased by approximately 64% to RMB58.2 million for the six months ended 30 June 2023 from RMB161.4 million (restated) for the six months ended 30 June 2022, which was primarily due to the decrease in property engineering related services attributed to our initiatives to diminish the businesses with unsatisfactory cash collection assurance and the downturn in PRC real estate market.

Cost of sales

For the six months ended 30 June 2023, cost of sales was RMB1,234.3 million, slightly increased from RMB1,194.4 million (restated) by approximately 3% as compared with the corresponding period of 2022.

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 2023 increased by approximately 14% to RMB446.6 million as compared to RMB390.3 million for the six months ended 30 June 2022, 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 2023 increased by approximately 8% to RMB426.6 million as compared with RMB394.2 million for the six months ended 30 June 2022, 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 decreased by approximately 43% and 69% to RMB84.4 million and RMB23.0 million for the six months ended 30 June 2023, respectively, as compared to RMB147.2 million (restated) and RMB73.3 million for the six months ended 30 June 2022, respectively, which was in line with the decrease in revenue from property engineering services and community living services.

Cost of goods sold decreased by approximately 58% to RMB17.0 million for the six months ended 30 June 2023 from RMB40.5 million for the six months ended 30 June 2022 which was in line with the decrease in revenue generated from retail sales of commodities.

Sub-contracting costs for home decoration and property agency services increased by approximately 15% to RMB16.6 million for the six months ended 30 June 2023 from RMB14.4 million for the six months ended 30 June 2022 which was primarily attributable to the net effect of (i) the costs of property brokerage services increased due to the overall market downturn; and (ii) the costs of home decoration services decreased due to more income from home decoration services was recognised under commission and net amount basis.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2023 decreased by approximately 25% to RMB321.5 million from RMB429.3 million (restated) for the six months ended 30 June 2022. Our overall gross profit margin for the six months ended 30 June 2023 decreased to approximately 21% from approximately 26% for the corresponding period in 2022 primarily attributed to the decrease in revenue generated from commercial operational and property management services on commercial properties, community value-added services and value-added services to non-property owners (the gross profit margins of which are generally comparatively higher), affected by the overall economy and real estate market.

Gross profit and gross profit margin of the Group by business lines for the six months ended 30 June 2023 and 2022 respectively were as follows:

Six months ended 30 June

	2023		2022 (Restated)	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	%	(RMB'000)	%
Property management and commercial operational services				
(a) Property management services on residential and other non-commercial properties	**142,923**	**17**	120,145	18
(b) Commercial operational and property management services on commercial properties	**64,039**	**25**	104,284	38
Sub-total	**206,962**	**19**	224,429	24
Community value-added services	**74,727**	**28**	115,528	38
Value-added services to non-property owners	**39,805**	**20**	89,299	24
Total	**321,494**	**21**	429,256	26

Gross profit margin for property management and commercial operational services decreased from approximately 24% for the six months ended 30 June 2022 to approximately 19% for the six months ended 30 June 2023. The reduction in gross profit margin was primarily resulted from (i) the rise in labour and energy costs; and (ii) additional expenditures incurred on the new projects under integration period.

Gross profit margin for community value-added services decreased from approximately 38% for the six months ended 30 June 2022 to approximately 28% for the six months ended 30 June 2023, which was mainly attributed to the decrease in gross profit margin from property brokerage services and retail sales of commodities businesses, which were affected by the overall economic situation and real estate market.

Gross profit margin for value-added services to non-property owners decreased from approximately 24% (restated) for the six months ended 30 June 2022 to approximately 20% for the six months ended 30 June 2023, which was primarily due to a decrease 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 utilise our existing resources from provision of property management services and incur less direct cost, in particular, staff cost.

Other income and other gains/(losses), net

The other income for the six months ended 30 June 2023 mainly comprised government grants and interest income. Other income increased by RMB0.8 million to RMB12.8 million for the six months ended 30 June 2023 from RMB12.0 million for the six months ended 30 June 2022. The increase was mainly attributable to the increase of government grant received during the period.

We recorded other net gains of RMB14.4 million for the six months ended 30 June 2023 (six months ended 30 June 2022: other net losses of RMB5.0 million). Other net gains mainly comprised of gains on disposal of partial interest in a joint venture of RMB20.6 million and net foreign exchange losses of RMB6.1 million.

Operating expenses

Selling and marketing expenses for the six months ended 30 June 2023 decreased to RMB7.6 million (six months ended 30 June 2022: RMB8.4 million).

Administrative expenses for the six months ended 30 June 2023 increased by approximately 51% to RMB110.0 million as compared to RMB72.9 million for the six months ended 30 June 2022. This increase was primarily due to (i) an increase in business expansion activities as compared to the corresponding period of 2022; and (ii) amortisation arising from acquired projects.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by approximately 63% to RMB75.7 million for the six months ended 30 June 2023 from RMB46.3 million for the six months ended 30 June 2022, which was mainly attributable to the increase in provision for impairment on trade and other receivables, affected by the overall economic situation and real estate market which slowed down the collection of trade receivables during first half of 2023.

Finance cost

Finance costs for the six months ended 30 June 2023 and 30 June 2022 amounted to RMB0.4 million and RMB0.7 million, respectively, mainly comprised interest expenses of the lease liabilities.

Share of results in joint ventures

For the six months ended 30 June 2023, share of results of joint ventures amounted to RMB1.2 million (six months ended 30 June 2022: RMB20.2 million). The decrease was mainly due to the disposal of the equity interests in a joint venture, as well as the decline in the financial performance of the joint venture affected by the downturn of the overall economic situation.

Taxation

In line with the decrease of profit before income tax, income tax expense for the six months ended 30 June 2023 decreased by approximately 52% to RMB27.6 million (six months ended 30 June 2022: RMB58.1 million (restated)). Effective tax rate for the six months ended 30 June 2023 remained stable at approximately 17% (six months ended 30 June 2022: approximately 17% (restated)).

Profit attributable to owners of the Company

Due to (i) the initiatives to diminish the businesses of value-added services to non-property owners with unsatisfactory cash collection assurance, having taken into consideration of the Company's business strategy and progress of receivables collection; (ii) affected by the overall economic situation and real estate market, a decrease in gross profit generated from property brokerage services among community value-added services businesses; and (iii) an increase in the provision for asset impairment losses made for (among others) receivables for the sake of prudence, the profit attributable to owners of the Company for the six months ended 30 June 2023 decreased by approximately 52% to RMB128.7 million, as compared to RMB267.2 million (restated) for the six months ended 30 June 2022. Our management will continue to focus on the improvement of our Shareholders' return as an on-going task.

Investment properties

Our investment properties represented certain units of office buildings and underground commercial properties located in the PRC, which are held to earn rentals. As at 30 June 2023, the Group's investment properties amounted to RMB73.6 million (31 December 2022: 106.3 million (restated)). Such decrease was primarily attributed to the shortening in remaining lease periods of the properties leased for earning rentals.

Property, plant and equipment

Property, plant and equipment mainly consisted of office and operating equipment, leasehold improvement, vehicles and buildings. As at 30 June 2023, the Group's property, plant and equipment decreased to RMB109.3 million from RMB112.2 million as at 31 December 2022, primarily due to the combined effects of deprecation and acquisition of plant machinery and equipment during the period.

Intangible assets

Our intangible assets comprised computer software, property management contracts and customer relationship, trademark and goodwill. As at 30 June 2023, the Group's intangible assets decreased to RMB721.1 million from RMB731.6 million as at 31 December 2022 primarily due to amortisation 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 2023 decreased to RMB206.3 million (31 December 2022: RMB249.5 million), primarily due to the sales of inventories and the impairment made on inventories attributed to the downturn in real estate market.

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 2023, our trade and note receivables amounted to RMB1,309.1 million, representing an increase of approximately 12% as compared to RMB1,170.7 million (restated) as at 31 December 2022. The increase was primarily attributable to the expansion in operation scale and the adverse economic conditions, which slowed down the collection 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 2023 and 31 December 2022, our prepayments and other receivables remained relatively stable at RMB1,011.8 million and RMB1,183.0 million (restated), 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 subcontractors. 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 2023, our trade and other payables amounted to RMB1,312.0 million, which remained broadly stable as compared to RMB1,362.9 million (restated) as at 31 December 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 2023, our contract liabilities amounted to RMB590.3 million, representing an increase of approximately 29% as compared to RMB457.8 million (restated) as at 31 December 2022 which was in line with the increase in revenue from property management and commercial operational services.

Capital expenditures

In the first half of 2023, we incurred capital expenditures of RMB10.6 million (first half of 2022: RMB13.1 million), which mainly consisted of purchase of property, plant and equipment and intangible assets.

Financial resources and liquidity

Regarding the funding and treasury policies and objectives, 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 2023, the Group had cash and cash equivalents of RMB624.4 million and restricted bank deposits of RMB4.9 million, amounted to RMB629.3 million in aggregate; of which approximately 99.8% (31 December 2022: approximately 99.6%) of the Group's cash resources were denominated in RMB with the remaining balances mainly denominated in HKD, and a current ratio of 1.6 times (31 December 2022: 1.7 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 2023, 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 2023 and 31 December 2022, 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 2023, gearing ratio was nil (31 December 2022: nil).

Significant investments

As at 30 June 2023, we did not have any significant investments.

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

Capital commitments

As at 30 June 2023, the Group had no capital commitment (31 December 2022: nil).

Charge on assets

As at 30 June 2023, we did not have any charges on our assets.

Contingent liabilities

As at 30 June 2023, we did not have any significant contingent liabilities.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

Acquisition of the entire equity interests in a mechatronic company in the PRC

On 24 February 2023, Ocean Homeplus, a wholly-owned subsidiary of the Company, and Beijing Qianyuan Property Co., Ltd.* (北京乾遠置業有限公司) ("**Beijing Qianyuan**"), a wholly-owned subsidiary of Sino-Ocean Holding, entered into an equity transfer agreement, pursuant to which Ocean Homeplus has conditionally agreed to acquire, and Beijing Qianyuan has conditionally agreed to sell, the entire equity interests in Sino-Ocean Mechatronics at a consideration of RMB54,000,000[1] (the "**Acquisition**"). Sino-Ocean Mechatronics is a comprehensive mechatronic solution provider focusing on the real estate industry in the PRC. It is principally engaged in mechatronic businesses including mechanical and electrical construction, contracting, technology development and consultation. It is also actively participating in areas such as smart home, energy conservation and environmental protection as well as system integration.

Upon completion of the Acquisition, Sino-Ocean Mechatronics shall become a wholly-owned subsidiary of the Company, with its financial results being consolidated into the financial statements of the Group. As of 30 June 2023, the Acquisition had been completed.

Details of the Acquisition are set out in the announcement of the Company dated 24 February 2023.

Note:

1 According to the equity transfer agreement, Ocean Homeplus has agreed to acquire 100% equity interests in Sino-Ocean Mechatronics with cash consideration of RMB54,000,000. In addition, Beijing Qianyuan and Ocean Homeplus had agreed the retained earnings of RMB4,799,000 of Sino-Ocean Mechatronics as at 31 January 2023 belongs to Beijing Qianyuan when the Acquisition is completed. Therefore, RMB4,799,000 was treated as part of the consideration. The acquisition of 100% issued share capital of Sino-Ocean Mechatronics was at the total consideration of RMB58,799,000.

Employees and human resources

As at 30 June 2023, the Group had 9,546 employees (30 June 2022: 8,978 employees). The total number of employees serving the Group increased primarily attributed to our business expansion. At the same time, we continued to elevate our effort on improving both manpower effectiveness and control capability, as well as optimising resources allocation of the Group during the first half of 2023. Our employee benefit expenses for the six months ended 30 June 2023 increased and reached RMB478.3 million (six months ended 30 June 2022: RMB433.8 million (restated)), which was in line with the increase in number of employees.

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.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Acquisition of parking spaces and commercial properties

On 21 July 2023, Ocean Homeplus (a wholly-owned subsidiary of the Company) and Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司) (“**SOG China**”, a wholly-owned subsidiary of Sino-Ocean Holding) entered into a parking spaces transfer framework agreement and a commercial properties transfer framework agreement in relation to the acquisition by Ocean Homeplus and its subsidiaries from SOG China and its subsidiaries of 4,961 parking spaces and 168 commercial properties (with a total GFA of approximately 12,901 sq.m. in aggregate) in the PRC (collectively, the “**Target Assets**”) respectively (the “**Assets Acquisition**”). The aggregate consideration for the Assets Acquisition was RMB626,350,000, which shall be offset against the refundable deposit receivables due from the Sino-Ocean Group (for the avoidance of doubt, excluding the Group) to the Group in its entirety.

Upon completion of the Assets Acquisition, the financial results of the Target Assets will be consolidated into the financial statements of the Group. The Assets Acquisition has not been completed as at the Latest Practicable Date.

Details of the Assets Acquisition have been disclosed in the joint announcement of the Company and Sino-Ocean Holding dated 21 July 2023.

ADDITIONAL INFORMATION ON QUALIFIED REVIEW CONCLUSION ISSUED BY THE AUDITOR

The Company’s independent auditor, BDO Limited (the “Auditor”), has issued a qualified conclusion on the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 (the “2023 Condensed Consolidated Interim Financial Statements”). Details of such qualified conclusion are disclosed in the section headed “Basis for Qualified Conclusion” in the Report on Review of Condensed Consolidated Interim Financial Statements as set out in this report.

Management's view

The management of the Company has given careful consideration to the qualified conclusion and the basis thereof and has had continuous discussions with the Auditor during the preparation of the 2023 Condensed Consolidated Interim Financial Statements.

Except for the adjustments to the 2023 Condensed Consolidated Interim Financial Statements that the Auditor might have become aware of had it not been for the situation described in the section headed "Basis for Qualified Conclusion" in the Report on Review of Condensed Consolidated Interim Financial Statements as set out in this report, based on the Auditor's review, nothing has come to the Auditor's attention that causes the Auditor to believe that the 2023 Condensed Consolidated Interim Financial Statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

As disclosed in the joint announcement of the Company and Sino-Ocean Holding dated 21 July 2023 and the above section headed "Important Event after the Reporting Period", assets transfer framework agreements were entered into between Ocean Homeplus and SOG China on 21 July 2023 in relation to the acquisition of assets (being parking spaces and commercial properties) by Ocean Homeplus and its subsidiaries from SOG China and its subsidiaries, the consideration for which would be offset against the refundable deposit receivables due from the Sino-Ocean Group (for the avoidance of doubt, excluding the Group) to the Group in its entirety.

The management is committed to satisfy the Auditor's audit procedures to ensure sufficient and appropriate audit evidence be provided for the purposes of the audit of the financial statements for the year ending 31 December 2023.

Audit Committee's view

The Audit Committee had discussions with the Auditor regarding the financial position of the Group and the necessary sufficient and appropriate evidence required for the Auditor's review conclusion. The Auditor's qualified conclusion was presented by the Auditor to the Board and discussed by the Board (including Audit Committee members). The Audit Committee concurred with the above management's views.

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 approximately HKD1,691.7 million (equivalent to RMB1,426.3 million) and the net proceeds per Share were HKD5.72 (equivalent to RMB4.82). Such proceeds were intended to be applied in the manner consistent with that disclosed in the Prospectus as set out below:

- Approximately 60%, or HKD1,015.0 million (equivalent to approximately RMB855.8 million), will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business;
- Approximately 20%, or HKD338.3 million (equivalent to approximately RMB285.3 million), will be used to develop smart community through upgrading of our systems for smart management;
- Approximately 10%, or HKD169.2 million (equivalent to approximately RMB142.6 million), will be used to enhance our level of digitisation and our internal information technology infrastructure; and
- Approximately 10%, or HKD169.2 million (equivalent to approximately RMB142.6 million), will be used for working capital and general corporate purpose.

As disclosed in the announcement of the Company on 11 November 2022 (the "Change in Use of Proceeds Announcement"), having carefully considered the increasingly competitive landscape in the property management industry in the PRC and the rise in operation costs brought about by the COVID-19 pandemic, the Group has taken a more conservative approach and has been exploring means with comparatively less capital commitment and manageable risks to better utilise the unutilised net proceeds and increase the proportion of businesses that could bring about a more stable source of income, with a view to bringing about considerable returns to the Shareholders. As such, in order to improve the efficiency and to optimise the use of the unutilised net proceeds, the Board had resolved to change the proposed use of unutilised net proceeds in the amount of approximately RMB532.3 million originally allocated for (a) pursuing selective strategic investment and acquisition opportunities and to further develop strategic alliances and expanding the scale of the Company's property management business; (b) developing smart community by upgrading the Company's systems for smart management; and (c) enhancing the Company's level of digitisation and the Company's internal information technology infrastructure, towards the (i) further expansion of and diversification into value-added services; (ii) further expansion of the business of commercial asset operation; and (iii) acquisition of self-use office premises (the "Reallocation"). Please refer to the Change in Use of Proceeds Announcement for details.

As at 30 June 2023, our planned use and actual use of net proceeds from listing was as follows:

	Planned use of net proceeds as disclosed in the Prospectus	Unutilised as at 31 December 2021	Utilised immediately before the Reallocation	Planned use of net proceeds after Reallocation	Amount utilised after Reallocation up to 31 December 2022	Unutilised as at 31 December 2022	Utilised/ (Refunded) during the period	Unutilised as at 30 June 2023	Expected timetable for the usage of the unutilised proceeds as at 30 June 2023
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	
Pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business	855.8	810.1	663.3	663.3	–	–	(80.0) (Note 3)	80.0	On or before 31 December 2024
Develop smart community through upgrading of our systems for smart management	285.3	271.3	28.3	28.3	–	–	–	–	N/A
Enhance our level of digitisation and our internal information technology infrastructure	142.6	114.5	44.8	59.8	15.0	–	–	–	N/A
Working capital and general corporate purpose	142.6	107.4	142.6	142.6	–	–	–	–	N/A
Further expansion of and diversification into value-added services including (i) the acquisition of exclusive sales rights for parking spaces, and/or (ii) the investment in and/or acquisition of target(s) that provide complementary value-added services and other upstream and downstream business synergies	–	–	–	375.5	–	375.5	356.3 (Note 4)	19.2	On or before 31 December 2024
Further expansion of the business of commercial asset operation pursuant to the commercial property leasing and operation agreement	–	–	–	79.4	79.4 (Note 1)	–	–	–	N/A
Acquisition of self-use office premises in Shenzhen and Beijing, PRC	–	–	–	77.4	77.4 (Note 2)	–	–	–	N/A
Total	1,426.3	1,303.3	879.0	1,426.3	171.8	375.5	276.3	99.2	

Notes:

1) As disclosed in the Change in Use of Proceeds Announcement, approximately RMB79.4 million of the unutilised net proceeds were reallocated to further expansion of the business of commercial asset operation pursuant to the commercial property leasing and operation arrangement as detailed in the announcement of the Company dated 11 November 2022. The RMB79.4 million was the one lump sum rental payment for such commercial property leasing and operation arrangement.

2) As disclosed in the Change in Use of Proceeds Announcement, approximately RMB77.4 million of the unutilised net proceeds were reallocated to the acquisition of self-use office premises in Shenzhen and Beijing, PRC, as detailed in the announcement of the Company dated 11 November 2022. Among the RMB77.4 million paid for the self-use office premises, approximately (i) RMB28.4 million was the payment for the acquisition of the Shenzhen property, which comprised 14 rooms on the 6th floor of block 13 of Ocean Plaza of Ocean Express (遠洋新幹線遠洋廣場) located in Shenzhen; and (ii) RMB49.0 million was the payment for the acquisition of the Beijing properties, which comprised (a) 301, 3rd floor of Block 1 of Ocean Metropolis (遠洋都會中心) (also known as 遠洋新天地); (b) 401, 4th floor of Block 1 of Ocean Metropolis (遠洋都會中心); and (c) 501, 5th floor of Block 1 of Ocean Metropolis (遠洋都會中心) located in Beijing.

3) During the year ended 31 December 2022, the Group paid RMB80 million to an independent third party as earnest money for the potential acquisition of a PRC property management company. The potential acquisition did not materialise and the earnest money was subsequently refunded to the Group during the reporting period. As at the Latest Practicable Date, the refunded RMB80 million has not been utilised. The time to utilise such refunded net proceeds is expected to be on or before 31 December 2024, as it would take time for the Company to evaluate and identify suitable investment and acquisition targets under the current market conditions. It is expected that such refunded net proceeds would still be utilised for the purpose of pursuing selective strategic investment and acquisition and to further develop strategic alliances and expand the scale of the Company's property management business as disclosed in the Prospectus and the Change in Use of Proceeds Announcement.

4) Out of the unutilised net proceeds of RMB375.5 million as at 31 December 2022, RMB356.3 million were utilised during the six months ended 30 June 2023, of which (a) RMB302.3 million were utilised for the acquisition of exclusive sales right for parking spaces as detailed in the announcement of the Company dated 14 October 2022 and the circular of the Company dated 13 January 2023; and (b) RMB54.0 million was the payment for the acquisition of the entire equity interest in Sino-Ocean Mechatronics, a mechatronic company established in the PRC as detailed in the announcement of the Company dated 24 February 2023. As at the Latest Practicable Date, RMB19.2 million has not been utilised. The expected time to utilise such remaining net proceeds has been further extended from 30 June 2023 (as disclosed in the 2022 annual report) to 31 December 2024 as no suitable opportunities for the use of the remaining net proceeds were identified within the original timeframe and it would take time for the Company to evaluate and identify suitable opportunities under the current market conditions. It is expected that such remaining net proceeds would still be utilised for the purpose of further expansion of and diversification into value-added services pursuant to the reallocation arrangement as disclosed in the Change in Use of Proceeds Announcement.

Save for the aforesaid changes, the Directors are not aware of any material change to the planned use of net proceeds as at the date of this report. Despite the above change in the use of the unutilised net proceeds, the Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The Board considers the above change in the use of the unutilised net proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to reduce the operation costs of the Group and enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

The unutilised net proceeds prior to the full utilisation were deposited with licensed banks or financial institutions in Hong Kong and Mainland China. As at the Latest Practicable Date, the total unutilised net proceeds amounted to RMB99.2 million. The expected timeline of full utilisation set out above is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.

INVESTOR RELATIONS REPORT

PROMOTING VALUES

The management attaches great importance to effective communication with Shareholders, investors, analysts, financial media and the public and is always prepared to 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, thereby enhancing investors' confidence and creating maximum value for our Shareholders.

During the first half of 2023, we communicated with analysts and investors through results announcement press conferences, the official Sino-Ocean Service WeChat public account 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 explored other communication channels to facilitate communication with investors. On the other hand, we announced the Company's business updates via our official WeChat public account to keep various parties informed of the Company's recent business developments.

Our investor relations department will continue to increase the frequency of communication with investors with enhanced quality to ensure a timely, accurate and effective dissemination of information. In the future, we will continue to strive for wider coverage and more recommendations to enhance investors' recognition and their confidence in and loyalty to 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 2023 to 30 June 2023, the Company recorded:

	Highest	Lowest
Price per Share (HKD)	3.12	1.45

As at 30 June 2023, the Company's total number of issued shares was 1,184,000,000 Shares, and the closing price was HKD1.49. Based on the closing price on 30 June 2023, the market capitalisation of the Company was approximately HKD1,764.2 million.

SUSTAINABILITY REPORT

The Group incorporates the sustainability concept into its development strategy and day-to-day operational management on a consistent basis in a bid to achieve high-quality corporate development. While persisting in the offering of premium products and services, we also endeavour to become an exemplar among peers in terms of the practice of sustainability, fulfilment of social responsibility and development of an outstanding enterprise in the service sector.

I. FORTIFYING THE FOUNDATION AND STRENGTHENING MANAGEMENT OF COMPLIANCE

The Group has always adhered to corporate governance in accordance with law and operational compliance. We have established a complete corporate governance regime, as well as a management regime comprising the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board, comprising two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors, is responsible for formulating strategic guidelines for the Company, supervising its business performance, and ensuring the effectiveness of risk management and the corresponding internal control system, in order to generate long-term benefits for the Company and its stakeholders. Relevant information is disclosed 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 our 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 laws and regulations with a strong emphasis on the development of the Party ethos of probity and anti-corruption initiatives, the Group conducts education and training in probity on a regular basis to enhance staff awareness of probity, optimises the mechanism for the protection of whistleblowers with streamlined whistleblowing channels, advances training, propagation and education in connection with probity on a continuous basis and strengthens internal management to regulate the Company's operations by high probity standards. During the period, rectifications have been made to internal control processes to strengthen risk management and improve the internal control system in genuine protection of the Company's stable operation and healthy development.

II. MEETING CUSTOMERS' NEEDS WHILST PERSISTING IN QUALITY SERVICES

In persistent adherence to the service philosophy of "Being understanding and innovative", the Group seeks to identify sophisticated needs and optimise quality management, as it endeavours to provide property management services that make life more convenient and comfortable and foster a living environment and service experience with superior quality for property owners and residents. We are actively engaged in customer relations management through initiatives such as regular satisfaction survey, "400 Call Centre" and project service quality supervision, so as to listen to the voice of the customers and swiftly respond, handle and provide feedback. Digitalised smart management has been enhanced with the creation of "Yi Butler" (億管家), an internal and external coordination management platform, and "Yi Life"(億家生活), a one-stop integrated service platform, in a bid to empower management with smart operations and enhance servicing efficiency.

In line with the initial commitment to and mission of "serving customers with an artisan's spirit", we have streamlined our mechanism for liaison with property owners and attained a full coverage of customer visits every quarter and paid frequent visits to key customers. Project manager reception days have been organised whereby the officers-in-charge of projects meet with property owners to exchange views. Moreover, to understand the current service status and owners' demands, a third party has been invited to conduct a satisfaction survey to identify insufficiencies in services in an objective manner and seek for continuous improvements in service quality. Such measures have effectively reduced the number of user complaints and practically resolved complaints and demands during the period.

III. PRACTISING GREEN OPERATION IN CONTRIBUTION TO LOW-CARBON DEVELOPMENT

The Group persists in the implementation of green operation as it consistently enhances its ability to operate on a low-carbon basis. Starting with the conversion of old equipment requiring high energy consumption, we have carried out energy-saving conversion of water and power supply facilities in public areas and effectively reduced energy consumption in fulfillment of low-carbon green development. For example, in connection with lighting in basement carparks, the original LED lights have been upgraded to intelligent radar energy-saving lights, enabling substantial reduction in energy consumption while meeting owners' need for comfortable lighting and ensuring safety for owners on their way home. Consistent optimisation and upgrades have also been introduced to daily equipment operation. In view of energy waste due to certain lights in public areas being permanently switched on, the mode of operation has been optimised. For example, timers have been installed to the lights at the lawns of property estates and the children's playgrounds to facilitate automatic switch-off at designated hours during night-time to adjust the operation of lighting in community and public areas, with a view to saving energy while safeguarding the resting environment for property owners in the community.

The Group is actively engaged in the application of green energy to lower carbon emission. Solar energy panels have been installed at the Tianzhu Airport Industrial Park in Shunyi, Beijing, by taking full advantage of the site conditions, to alleviate the pressure on power grids and reduce energy consumption in the creation of a low-carbon green industrial park. At Jinyuyuan, Haiyi Xincheng, Shandong, old light bulbs and wirings have been replaced with solar power road lamps to facilitate community renewal and quality enhancement while achieving cost reduction, consumption reduction and eco-friendliness, which is well received by the property owners.

Through systematic and categorised management of different emissions and recycled use of waste and old items, we seek reasonable and efficient utilisation of various types of energy, emphasising emission reduction as well as energy conservation such that we could live in harmony with the environment and achieve stable operation. Equipment for on-site non-hazardously treatment of kitchen waste has been installed and the critical issues of dry/wet separation, grease/water separation and odour dissemination relating to kitchen waste have been effectively solved through aerobic fermentation. Meanwhile, degraded kitchen waste has been turned into useful materials, such as organic fertilisers that meet national standards, and our waste recycling rate has been enhanced.

IV. FOCUSED ON TALENT TRAINING WHILST UNDERTAKING SOCIAL RESPONSIBILITY

In firm adherence to a people-centric principle, the Group endeavours to foster a corporate culture underpinned by diversity and inclusivity and forge a fair and equitable staff appointment mechanism, with a strong emphasis on the grooming of talents and succession teams. During the period, talent development training camps were organised and staff career development pathways were streamlined. By combining the talent development training camps with online lectures and special empowerment training, staff competence in management, operation and job-specific skills has been enhanced to meet the requirement for enhancing staff competence at various job positions.

Our remuneration and benefit and staff care policy has been designed to cover the entire career life of staff, with an emphasis on the effect of remuneration allocation on guiding and driving the achievement of business results. The income of an employee should commensurate with the value contributions created by him or her, and teams and individuals are encouraged to deliver outstanding results in order to receive high income. Ongoing improvements have been made to our staff benefit system and payments to pension fund, unemployment, work injury, maternity and medical insurances as well as housing provident fund have been made in accordance with the law. Employees are entitled to paid leaves such as annual leave, marriage leave, bereavement leave, maternity leave, prenatal check-up leave and nursing leave. Staff medical check-ups are organised on a regular basis and business insurance has been purchased for staff to provide comprehensive coverage for the health and safety of staff.

The Group undertakes its social responsibility with vigorous efforts as it seeks to play a role in safeguarding people's livelihood and enhancing the quality of living of residents, committing in an innovative manner to livelihood initiatives such as support for community services and care for the elderly and underprivileged in fulfilment of its pledge to the sustainable development of the society. In connection with care for the elderly, we have built up service files for senior citizens in the community and, in particular, paid regular visits to senior citizens living alone. Their daily necessities, such as running errands, making purchases and buying medicines, can be entrusted at ease to our housekeepers, so that they could relax and enjoy their golden years. We care for the growth of children, thus special social and cultural activities were hosted for children to encourage quality parent-child time. Concerned with child safety, our front-gate security staff would conduct due enquiry and confirmation when they spot children going out alone. We have also commenced the "student escort service", in which designated duty officers were arranged to escort students crossing the road and protect their safety.

The Group believes that sustainability is paramount to the Company's development, as the sustainability concept is actively implemented in all dimensions of its business. In ongoing adherence to its principle of "Being understanding and innovative", we are consistently enhancing our general strengths in an effort to provide high-quality and heartwarming services to customers and continuously forge new benchmarks for the servicing sector with excellent servicing abilities.

DISCLOSURE OF INTERESTS

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

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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	Capacity/ nature of interests	No. of ordinary shares of associated corporation held	Approximate percentage of total issued share capital of associated corporation (note)
Mr. YANG Deyong	Sino-Ocean Holding	Beneficial owner	118,777	0.002%
Ms. ZHU Geying	Sino-Ocean Holding	Beneficial owner	38,531	0.001%
Mr. CUI Hongjie	Sino-Ocean Holding	Beneficial owner	369,571	0.005%
Mr. ZHU Xiaoxing	Sino-Ocean Holding	Beneficial owner	249	0.000%

Note:
Calculated based on Sino-Ocean Holding's total number of issued ordinary shares of 7,616,095,657 as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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 (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.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2023 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

As at 30 June 2023, the interests and short positions of other persons in the Shares and underlying Shares (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Notes:

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

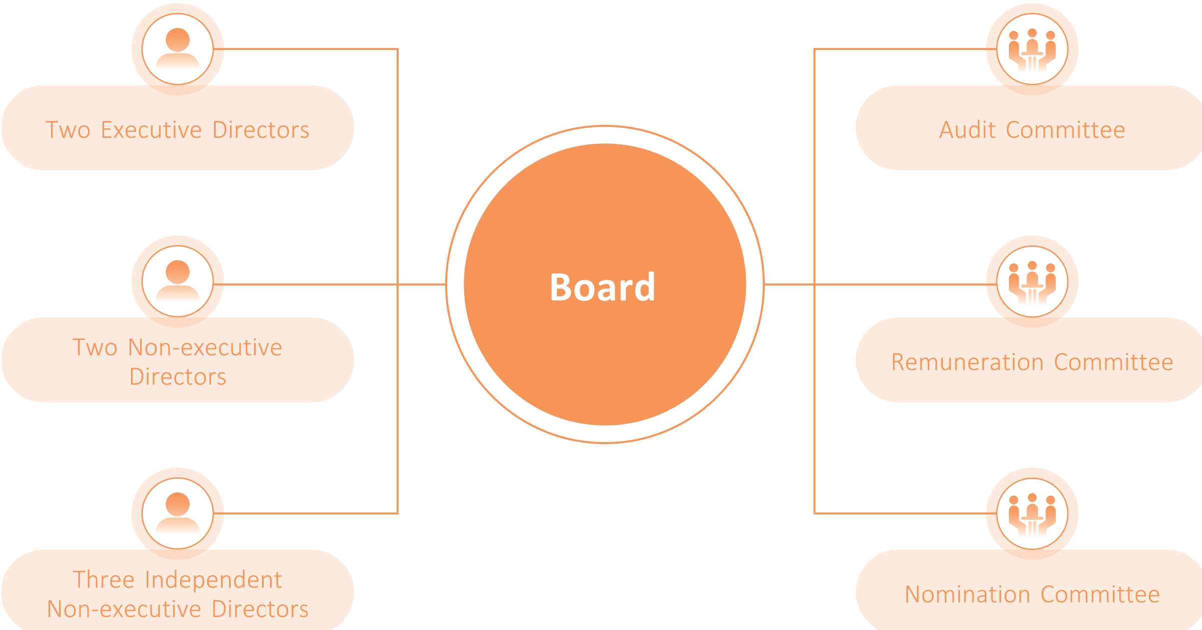
(ii) 27,100,000 Shares are held by a company which Shine Wind is indirectly interested in 49% and therefore, Shine Wind is deemed to be interested in these Shares by virtue of the SFO.

(iii) Calculated based on the Company's total number of issued Shares of 1,184,000,000 as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, no person (other than the Directors and the chief executive of the Company) or corporation had any interest or short position in the Shares or underlying Shares (within the meaning of Part XV of the SFO) 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, so as to create long-term sustainable growth for Shareholders and deliver long-term values to all stakeholders. 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 of the CG Code to its corporate governance structure and practices which have been described in the Corporate Governance Report contained in the annual report of the Company for the year ended 31 December 2022 and complied with all the applicable code provisions of the CG Code throughout the six months ended 30 June 2023, except for the deviation as disclosed below:

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.

AUDIT COMMITTEE

The Audit Committee consists of three Independent Non-executive Directors, namely Mr. LEUNG Wai Hung, Dr. GUO Jie and Mr. HO Chi Kin Sammy, and two Non-executive Directors, namely Mr. CUI Hongjie and Mr. ZHU Xiaoxing. Mr. LEUNG Wai Hung, who has professional qualification in accountancy, is the chairman of the Audit Committee. None of them is a partner or former partner in the preceding two years of the existing auditors of the Company, or has or had in the preceding two years any financial interest in the existing auditors.

The main duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group, review the Group's financial information, consider the appointment, independence and remuneration of the auditors and any matters related to the removal and resignation of the auditors, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board.

The 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 2023 and this interim report.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, being two Independent Non-executive Directors, namely Mr. HO Chi Kin Sammy and Dr. GUO Jie, and one Executive Director, Mr. YANG Deyong. Mr. HO Chi Kin Sammy is the chairman of the Remuneration Committee.

The main duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management of the Company and make recommendations to the Board on employee benefit arrangements. The Remuneration Committee may consult the Joint Chairmen about their remuneration proposals for other Executive Directors. The Remuneration Committee is also responsible for assessing performance of all Directors and senior management of the Company, making recommendations to the Board on the remuneration package and incentive payment of the Executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, and making recommendations to the Board on the remuneration of the Non-executive Directors and the Independent Non-executive Directors.

NOMINATION COMMITTEE

The Nomination Committee comprises five members, being an Executive Director, Mr. YANG Deyong, a Non-executive Director, Mr. CUI Hongjie, and three Independent Non-executive Directors, 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 its policy and make recommendations to the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

Duties of the Board and the management

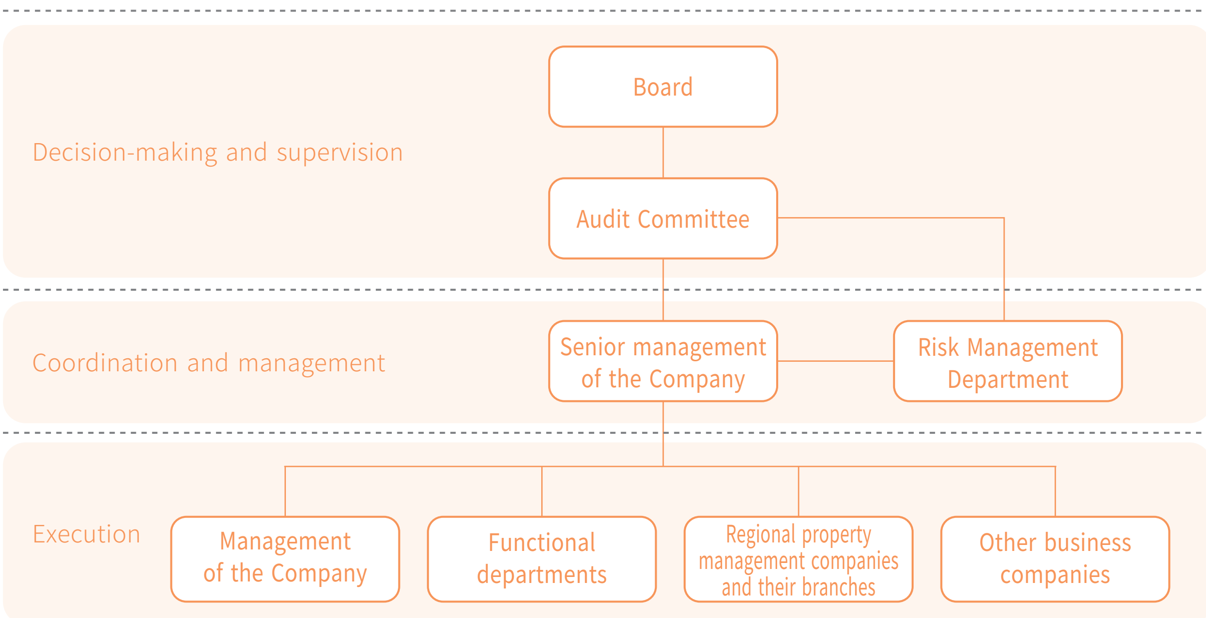
The Board reviews the Group's risk management and internal control systems annually which covers, among other things, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions as well as those relating to the ESG performance and reporting and the effectiveness of the Group's risk management and internal control systems. The review of the effectiveness of the Group's risk management and internal control systems cover all material controls, including financial, operational and compliance controls and risk management functions.

Risk management

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

The Board, the management and the functional departments, the subsidiary units and all staff of the Company have jointly participated in risk management and established an official organisational structure for risk management. Through the implementation of basic risk management processes and strategies in various steps and operating procedures of the Company's management based on its strategic and operating goals, relevant control measures are carried out in respect of the internal and external uncertainties in the Company's operation that might compromise the Company's interests to maximise such interests. The 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

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.

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.

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.

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.

The Risk Management Department submits the Company's risk control report to the Audit Committee and the Board annually for their review and ongoing supervision. The Company's risk control report is a regular report on risks inherent in operations and development, risk assessment outcomes and risk control status of the Company.

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

Internal control

The Board requires the management to maintain sound and effective internal control. The Group has an internal audit function. Assessment of the Group's risk management and internal control 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. All findings and rectification on internal control deficiencies are communicated with respective management and/or business units for process improvement, in order to ensure that satisfactory control is maintained. Any major audit findings and control deficiencies are reported to the Audit Committee and all rectification plans will be properly followed up by management and/or business units to ensure that they are remediated as intended within a reasonable period; and the status is reported to the Audit Committee. 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 SFO and the Listing Rules. The Inside Information Policy also provides the proper procedures and prohibition of handling inside information. The Group will disclose inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours provisions and satisfies the conditions under the SFO. Before the information is fully disclosed to the public, the Group will ensure that the information is kept strictly confidential. 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.

Whistleblowing channel

The Group adheres to promote an open, transparent, sharing and responsible corporate culture and therefore has adopted an "Administrative Measures on Whistleblowing and Appeal" and a "Whistleblowing Policy" (the "Whistleblowing Policy") 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 employees, suppliers, customers and business partners) to report the infractions of directors, management and employees of the Group and to raise their concerns for any possible fraud, corruption or improprieties in any matter related to the Group.

According to the Whistleblowing Policy, the Risk Management Department is responsible for investigating and handling reported cases in accordance with relevant policies. The Audit Committee shall supervise the implementation of the Whistleblowing Policy and shall delegate to the Risk Management Department the day-to-day management responsibility under the Whistleblowing Policy. The Risk Management Department shall distinguish whether the reported matter is material and material cases shall be reported to the Audit Committee. The Audit Committee shall subsequently determine actions to be taken in respect of such material cases and may delegate the authority to take such actions. The Whistleblowing Policy has been published on the Company's website.

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

Anti-corruption and Anti-bribery Policy

Probity, integrity, fairness, impartiality and commercially ethical conduct represent one of the core corporate values of the Group. The Company has established an "Anti-corruption and Anti-bribery Policy" (the "Policy") and all Directors and employees of the Group are bound by the Policy and refrain from committing any forms of corruption, bribery, extortion, fraud and money-laundering. The Policy has been published on the Company's website.

The Group also organises the employees to carry out compliance and integrity training every year to enhance the integrity awareness across the organisation. The compliance and integrity training covers directors, senior management and staff of the Group.

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.

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.

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 2023.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2023 has been reviewed by the auditors of the Company, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on pages 49 to 51 of this 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. Following specific enquiries made by the Company with all the Directors, all the Directors have confirmed that they had complied with all the required standards set out in the Model Code and the Code of Conduct throughout the six months ended 30 June 2023.

The Company has also set out a guideline no less exacting than the Model Code 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

There is no change in the information of the Directors subsequent to 31 March 2023 (being the latest practicable date prior to the issue of the annual report of the Company for the year ended 31 December 2022) and up to the Latest Practicable Date required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB0.136 per Share (equivalent to HKD0.156 per Share)).

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SINO-OCEAN SERVICE HOLDING LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 52 to 78, which comprises the condensed consolidated interim statement of financial position of Sino-Ocean Service Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2023 and the related condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed consolidated interim financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

BASIS FOR QUALIFIED CONCLUSION

As disclosed in Note 18 to the condensed consolidated interim financial statements, included in "Prepayments and other receivables" of the Group as at 31 December 2022 were refundable deposit receivable of RMB1,019 million due from a fellow subsidiary of the Company in relation to funds made by the Group for certain potential investments. In respect of this receivable, the allowance for expected credit loss recognised amounted to RMB258 million.

The predecessor auditors (the "Predecessor Auditor") modified its audit opinion on the Group's consolidated financial statements for the year ended 31 December 2022 due to its inability to obtain sufficient appropriate audit evidence to satisfy themselves regarding the financial ability of the fellow subsidiary to repay the outstanding balance due to the Group so as to evaluate the recoverability of the carrying amount of the refundable deposit receivable due from the fellow subsidiary and thus the reasonableness of the allowance for expected credit loss of RMB258 million recognised in the consolidated financial statements as at and for the year ended 31 December 2022. The Predecessor Auditor was therefore unable to determine whether the amount of refundable deposit due from the fellow subsidiary included in "Prepayment and other receivables" as at 31 December 2022 was free from material misstatements and the disclosure of the related party balance was accurate.

As at 30 June 2023, the amount due from the fellow subsidiary was RMB626 million and the related allowance for expected credit loss was RMB158 million. For the six-month period ended 30 June 2023, a reversal of allowance for expected credit loss of RMB100 million was recognised by the Group. During our review and up to the date of this report, we were still unable to obtain sufficient appropriate evidence to satisfy ourselves regarding the financial ability of the fellow subsidiary to repay the outstanding balance due to the Group so as to evaluate the recoverability of the balance and thus the reasonableness of the reversal of allowance for the expected credit loss made for the six-month period ended 30 June 2023. Any adjustments made to the amount due from the fellow subsidiary and to the allowance for expected credit loss found necessary will have a significant effect on the Group's consolidated financial position as at 1 January 2023 and 30 June 2023, the Group's consolidated financial performance for the six-month period ended 30 June 2023, and the related disclosures thereof in the condensed consolidated interim financial statements.

The balances as at 31 December 2022 are presented as corresponding figures in the condensed consolidated interim statement of financial position as at 30 June 2023. We also qualified our review conclusion on the condensed consolidated interim financial statements for the possible effect of the qualified audit opinion on 2022 consolidated financial statements on the comparability of related 2023 figures and 2022 figures in the condensed consolidated interim statement of financial position as at 30 June 2023 and the related disclosures.

QUALIFIED CONCLUSION

Except for the adjustments to the condensed consolidated interim financial statements that we might have become aware of had it not been for the situation described in the “Basis for Qualified Conclusion” paragraph above, based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The consolidated financial statements for the year ended 31 December 2022 were audited by another auditor who expressed a qualified opinion on those statements on 31 March 2023. The condensed consolidated interim financial statements for the six-month period ended 30 June 2022 have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

BDO Limited
Certified Public Accountants
HO Yee Man
Practising Certificate Number: P07395

Hong Kong, 22 August 2023

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2023	**2022**
		RMB'000	**RMB'000**
		(Unaudited)	**(Unaudited and Restated)**
Revenue	7	**1,555,837**	1,623,667
Cost of sales	7,8	**(1,234,343)**	(1,194,411)
Gross profit		**321,494**	429,256
Selling and marketing expenses	8	**(7,618)**	(8,445)
Administrative expenses	8	**(109,998)**	(72,924)
Net impairment losses on financial assets		**(75,712)**	(46,303)
Other income	9	**12,787**	11,964
Other gain/(losses)	10	**14,381**	(4,997)
Operating profit		**155,334**	308,551
Finance costs		**(414)**	(665)
Share of results in joint ventures	15	**1,161**	20,197
Profit before income tax		**156,081**	328,083
Income tax expense	11	**(27,634)**	(58,114)
Profit for the period		**128,447**	269,969
Other comprehensive income		**—**	—
Profit and total comprehensive income for the period		**128,447**	269,969
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**128,714**	267,240
Non-controlling interests		**(267)**	2,729
		128,447	269,969
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (expressed in RMB per share)	12	**0.11**	0.23

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

	Notes	30 June 2023	31 December 2022	1 January 2022
		RMB'000	RMB'000	RMB'000
		(Unaudited)	(Audited and Restated)	(Audited and Restated)
Assets				
Non-current assets				
Investment properties		**73,578**	106,269	—
Property, plant and equipment		**109,286**	112,166	23,042
Intangible assets	13	**721,128**	731,649	164,263
Right-of-use assets	14	**13,533**	24,692	24,056
Investments in joint ventures	15	**60,520**	59,359	150,671
Deferred income tax assets		**102,712**	91,199	19,735
Total non-current assets		**1,080,757**	1,125,334	381,767
Current assets				
Inventories	16	**206,321**	249,483	176,209
Trade and note receivables	17	**1,309,123**	1,170,746	650,764
Contract assets		**21,342**	20,353	15,837
Prepayments and other receivables	18	**1,011,753**	1,183,019	275,894
Restricted bank deposits		**4,930**	471	541
Cash and cash equivalents		**624,411**	472,540	2,526,828
Total current assets		**3,177,880**	3,096,612	3,646,073
Asset held for sale		**—**	38,441	—
Total assets		**4,258,637**	4,260,387	4,027,840
Equity				
Equity attributable to owners of the Company				
Share capital	21	**99,829**	99,829	99,829
Reserves		**1,217,071**	1,417,180	1,688,320
Retained earnings		**868,863**	740,149	664,404
		2,185,763	2,257,158	2,452,553
Non-controlling interest		**50,833**	51,100	31,845
Total equity		**2,236,596**	2,308,258	2,484,398

	Notes	30 June 2023	31 December 2022	1 January 2022
		RMB'000	RMB'000	RMB'000
		(Unaudited)	(Audited and Restated)	(Audited and Restated)
Liabilities				
Non-current liabilities				
Trade and other payables	20	**15,535**	15,805	29,233
Lease liabilities	14	**6,904**	13,392	13,138
Deferred income tax liabilities		**57,116**	62,859	18,015
Total non-current liabilities		**79,555**	92,056	60,386
Current liabilities				
Trade and other payables	20	**1,296,434**	1,347,082	1,034,454
Contract liabilities		**590,292**	457,825	396,242
Lease liabilities	14	**5,573**	3,289	8,000
Current tax liabilities		**50,187**	51,877	44,360
Total current liabilities		**1,942,486**	1,860,073	1,483,056
Total liabilities		**2,022,041**	1,952,129	1,543,442
Total equity and liabilities		**4,258,637**	4,260,387	4,027,840

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

	Attributable to owners of the company					Non-controlling interests	Total equity
	Share capital	Statutory reserves	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2023 (Audited and restated)	**99,829**	**13,108**	**1,404,072**	**740,149**	**2,257,158**	**51,100**	**2,308,258**
Comprehensive income							
Profit for the period	—	—	—	**128,714**	**128,714**	**(267)**	**128,447**
Transactions with owners in their capacity as owners							
Dividends	—	—	**(146,109)**	—	**(146,109)**	—	**(146,109)**
Deemed distribution	—	—	**(54,000)**	—	**(54,000)**	—	**(54,000)**
Balance as at 30 June 2023 (Unaudited)	**99,829**	**13,108**	**1,203,963**	**868,863**	**2,185,763**	**50,833**	**2,236,596**
Balance as at 1 January 2022 (Audited and restated)	99,829	13,108	1,675,212	664,404	2,452,553	31,845	2,484,398
Comprehensive income							
Profit for the period	—	—	—	267,240	267,240	2,729	269,969
Transactions with owners in their capacity as owners							
Dividends	—	—	(110,112)	—	(110,112)	—	(110,112)
Non-controlling interests on acquisition of a subsidiary	—	—	—	—	—	13,488	13,488
Balance as at 30 June 2022 (Unaudited and restated)	99,829	13,108	1,565,100	931,644	2,609,681	48,062	2,657,743

Note: A wholly-owned subsidiary established in the People's Republic of China (the "PRC") capitalised its retained profits to increase its paid in capital by increase of its registered capital during the period ended 30 June 2023.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited and Restated)
Cash flows from operating activities			
Cash (used in)/generated from operations		**(130,321)**	132,338
Income tax paid		**(47,760)**	(56,533)
Net cash (used in)/generated from operating activities		**(178,081)**	75,805
Cash flows from investing activities			
Deposit paid to			
— related party		**—**	(2,226,523)
— third party		**(200,000)**	(1,790,000)
Deposit refunded from			
— related party		**392,395**	2,226,523
— third party		**280,000**	1,790,000
Purchases of financial assets at fair value through profit or loss		**—**	(44,600)
Acquisition of subsidiaries in previous year, net of cash acquired		**(8,580)**	(18,013)
Down payment for acquisition of a subsidiary		**—**	(15,000)
Purchases of property, plant and equipment		**(4,582)**	(9,909)
Purchase of intangible assets		**(6,031)**	(3,170)
Redemption of financial assets at fair value through profit or loss		**—**	44,757
Dividend received from a joint venture		**30,000**	43,477
Proceeds from the disposal of interests in joint ventures		**59,000**	—
Proceeds from sale of property, plant and equipment		**80**	118
Net cash generated from/(used in) investing activities		**542,282**	(2,340)
Cash flows from financing activities			
Dividends		**(146,109)**	(110,112)
Payments of lease liabilities		**(1,278)**	(6,902)
Distribution relating to non-controlling interests		**—**	(3,921)
Payment of consideration for common control combination	23	**(58,799)**	—
Net cash used in financing activities		**(206,186)**	(120,935)
Net increase/(decrease) in cash and cash equivalents		**158,015**	(47,470)
Cash and cash equivalents at the beginning of the period		**472,540**	2,526,828
Exchange losses on cash and cash equivalents		**(6,144)**	(5,167)
Cash and cash equivalents at the end of the period		**624,411**	2,474,191

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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") since 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 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 22 August 2023.

Business combinations under common control

Acquisition of Sino-Ocean Mechatronics Equipment Technology Development Co., Ltd. (遠洋機電設備技術發展有限公司) ("Sino-Ocean Mechatronics") and the adoption of merger accounting*

On 24 February 2023, Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司) ("Ocean Homeplus"), a wholly-owned subsidiary of the Company, and Beijing Qianyuan Property Co., Ltd.* (北京乾遠置業有限公司) ("Beijing Qianyuan"), a wholly-owned subsidiary of Sino-Ocean Holding, entered into an equity transfer agreement, pursuant to which Ocean Homeplus has conditionally agreed to acquire 100% equity interest in Sino-Ocean Mechatronics at a total consideration of RMB58,799,000 (note 23).

The acquisition is regarded as "business combination under common control". Accordingly, these condensed consolidated interim financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 (Revised) "Merger Accounting for Common Control Combinations" ("AG 5" (Revised)) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Under merger accounting, the net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

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

1. GENERAL INFORMATION (CONTINUED)

Business combinations under common control (Continued)

Acquisition of Sino-Ocean Mechatronics Equipment Technology Development Co., Ltd. (遠洋機電設備技術發展有限公司) ("Sino-Ocean Mechatronics") and the adoption of merger accounting (Continued)*

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combinations. The comparative amounts in the condensed consolidated interim statement of financial position are presented as if the entities had been combined at the beginning of previous year unless they first came under common control at a later date. The assets and liabilities acquired in the common control combinations are stated at their carrying amounts and the results of these subsidiaries are combined to the Group since 1 January 2022. The effects arising from the common control combinations are set out in Note 23.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

This interim financial information does not include all the notes of the type normally included in the annual financial report. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual financial report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period.

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

3. ACCOUNTING POLICIES

Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current period

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts (including the October 2020 and February 2022 Amendments to HKFRS 17)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction, International Tax Reform — Pillar Two Model Rules

The application of the amendments to the standards listed above in the current period has had no material effect on the Group's financial performance and positions for the current and prior year and on the disclosures set out in these condensed consolidated interim financial statements.

3. ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new and amendments to HKFRSs but is not yet in a position to state whether these new and amendments to HKFRSs would have a material impact on its results of operations and financial position:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback	1 January, 2024
Amendments to HKAS 1, Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (Revised)	1 January, 2024
Amendments to HKAS 1, Non-current Liabilities with Covenants	1 January, 2024
Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements	1 January, 2024

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 year ended 31 December 2022.

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 for the year ended 31 December 2022.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2023, 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 2023 and 2022.

As at 30 June 2023 and 31 December 2022, 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 2023 and 2022 is as follows:

	Six months ended 30 June			
	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited and Restated)	(Unaudited and Restated)
Property management and commercial operational services	**1,089,384**	**882,422**	943,532	719,102
Community value-added services	**266,686**	**191,959**	304,689	189,162
Value-added services to non-property owners	**199,767**	**159,962**	375,446	286,147
	1,555,837	**1,234,343**	1,623,667	1,194,411

The disaggregation of the Group's revenue are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and Restated)
Revenue from contracts with customers within the scope of HKFRS 15:		
Property management and commercial operational services	**1,055,777**	943,532
Community value-added services	**197,712**	249,387
Value-added services to non-property owners	**199,767**	375,446
	1,453,256	1,568,365
Timing of revenue recognition		
Over time	**1,349,956**	1,398,423
Point in time	**103,300**	169,942
	1,453,256	1,568,365
Revenue from other sources		
— Rental income	**102,581**	55,302

For the six months ended 30 June 2023, 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 14% (for the six months ended 30 June 2022 (restated): 28%) of the Group's revenue. Other than Sino-Ocean Group, its 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 2023 and 2022.

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	**2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited and Restated)**
Employee benefit expenses	**478,251**	433,754
Outsourced security, greening and cleaning expenses	**448,823**	393,536
Maintenance expenses and utilities	**171,435**	218,056
Cost of consumables and raw materials	**23,305**	73,614
Cost of goods sold	**16,992**	40,482
Sub-contract expenses for home improvement and property agency services	**18,175**	14,435
Office-related expenses	**50,724**	34,663
Depreciation and amortisation charges	**58,287**	18,013
Cost of selling carpark spaces	**19,797**	9,248
Taxes and surcharges	**7,104**	7,551
Community activities expenses	**7,618**	7,477
Service fee related to commercial operational services	**—**	6,108
Write-down of inventories to net realisable value	**22,867**	—
Auditors' remuneration		
— Audit services	**1,000**	839
— Non-audit services	**—**	—
Others	**27,581**	18,004
	1,351,959	1,275,780

9. OTHER INCOME

	Six months ended 30 June	
	2023	**2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited and Restated)**
Government grants (note)	**9,330**	8,519
Interest income from bank deposits	**2,201**	2,699
Others	**1,256**	746
	12,787	11,964

Note:

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. OTHER GAIN/(LOSSES)

	Six months ended 30 June	
	2023	**2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited and Restated)**
Fair value gains on financial assets at fair value through profit or loss	**—**	157
(Loss)/gain on disposal of property, plant and equipment	**(34)**	13
Gain on disposal of partial interest in a joint venture	**20,559**	—
Net foreign exchange losses	**(6,144)**	(5,167)
	14,381	(4,997)

11. 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 2023 and 2022. 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	
	2023	**2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited and Restated)**
Current income tax		
— PRC corporate income tax	**44,469**	62,363
— PRC land appreciation tax	**421**	1,912
	44,890	64,275
Deferred tax		
— PRC corporate income tax	**(17,256)**	(6,161)
Income tax expense	**27,634**	58,114

The effective income tax rate was 17% for the six months ended 30 June 2023 (for the six months ended 30 June 2022 (restated): 17%).

12. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of 1,184,000,000 (for the six months ended 30 June 2022: 1,184,000,000) in issue during the six-month periods.

For the six months ended 30 June 2023 and 2022, diluted earnings per share was equal to the basic earnings per share as there were no dilutive potential ordinary shares.

	Six months ended 30 June	
	2023	**2022**
	(Unaudited)	**(Unaudited and Restated)**
Profit attributable to owners of the Company (RMB'000)	**128,714**	267,240
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)	**0.11**	0.23

13. INTANGIBLE ASSETS

	As at	
	30 June 2023	**31 December 2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Audited and Restated)**
Cost		
At beginning of period/year	**779,199**	195,354
Additions	**6,173**	11,088
Acquisition of a subsidiary	**—**	572,757
At the end of period/year	**785,372**	779,199
Accumulated amortisation		
At the beginning of period/year	**47,550**	31,091
Amortisation charge for the period/year	**16,694**	16,459
At the end of period/year	**64,244**	47,550
Net book amount		
At the end of period/year	**721,128**	731,649

13. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill arising from business combinations

As of 30 June 2023, the management performed an impairment assessment on the goodwill. The recoverable amounts of the property management business operated by Tianjin Xihe Supply Chain Services Co., Ltd, 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 have been assessed by an independent valuer, Cushman & Wakefield, and determined based on value-in-use calculations. The calculations used cash flow projections based on financial budgets covering a five-year periods approved by the management.

By reference to the recoverable amount assessed by the independent valuer as of 30 June 2023, the directors of the Company determined that no impairment provision on goodwill was required as of 30 June 2023 (30 June 2022: nil).

14. LEASES

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

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited and Restated)
Right-of-use assets		
Buildings	**11,783**	23,041
Parking lots	**1,750**	1,541
Vehicles	**—**	73
Equipment	**—**	37
	13,533	24,692
Lease liabilities		
Current	**5,573**	3,289
Non-current	**6,904**	13,392
	12,477	16,681

15. INVESTMENTS IN JOINT VENTURES

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

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited and Restated)
At beginning of period/year	**59,359**	150,671
Share of results from investments in joint venture	**1,161**	39,692
Dividend	**—**	(73,476)
Disposal of partial interest in a joint venture	**—**	(19,087)
Reclassified as assets held for sale	**—**	(38,441)
At end of period/year	**60,520**	59,359

16. INVENTORIES

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited and Restated)
Carpark spaces	**182,773**	222,153
Properties held for sale	**22,274**	24,513
Consumables and goods	**1,274**	2,817
At end of period/year	**206,321**	249,483

17.TRADE AND NOTE RECEIVABLES

	As at	
	30 June 2023	**31 December 2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Audited and Restated)**
Trade receivables		
— Related parties (Note 22b)	**673,703**	638,235
— Third parties	**954,182**	760,051
	1,627,885	1,398,286
Note receivables		
— Third parties	**418**	918
Less: allowance for impairment of trade and note receivables	**(319,180)**	(228,458)
Total	**1,309,123**	1,170,746

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

Ageing analysis of trade and note receivables, based on the invoice dates, is as follows:

	As at	
	30 June 2023	**31 December 2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Audited and Restated)**
Within 1 year	**1,078,706**	1,050,432
1–2 years	**385,036**	222,830
2–3 years	**93,985**	75,023
Over 3 years	**70,158**	50,001
Total	**1,627,885**	1,398,286

18. PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited and Restated)
Prepayments to suppliers		
— Related parties (Note 22b)	**10,251**	8,112
— Third parties	**46,025**	35,173
	56,276	43,285
Other receivables		
— Related parties (Note 22b)	**475,419**	161,434
— Dividend receivable from a related party (Note 22b)	**—**	30,000
— Payments on behalf of property owners	**63,060**	62,081
— Deposit	**30,322**	28,909
— Refundable deposits		
— Related parties (Note 22b)	**626,350**	1,018,745
— Third parties	**15,000**	95,000
— Others	**23,577**	38,787
	1,233,728	1,434,956
Less: allowance for impairment of other receivables	**(289,475)**	(307,713)
	944,253	1,127,243
Prepaid tax	**11,224**	12,491
Total	**1,011,753**	1,183,019

19. DIVIDENDS

	Six months ended 30 June	
	2023	**2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited and Restated)**
Final dividend paid of RMB0.123 (2022: RMB0.093) per ordinary share (a)	**146,109**	110,112
Interim dividend declared per ordinary share: RMB Nil (2022: RMB0.136) (b)	**—**	161,024
	146,109	271,136

(a) During the six months ended 30 June 2023, the Company declared and paid dividends with aggregated amounts of RMB146,109,000 (for the six months ended 30 June 2022: RMB110,112,000) to the Company's shareholders.

(b) The Board has resolved not to declare any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB161,024,000).

20. TRADE AND OTHER PAYABLES

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited and Restated)
Trade payables		
— Related parties (Note 22b)	**20,870**	51,990
— Third parties	**728,863**	766,684
	749,733	818,674
Other payables		
— Related parties (Note 22b)	**31,643**	27,322
— Deposit	**191,581**	177,011
— Amounts collected on behalf of property owner	**168,975**	167,836
— Consideration payable for acquisition of a subsidiary	**8,580**	17,160
— Others	**28,789**	18,107
	429,568	407,436
Dividends payables		
— Non-controlling shareholders	**1,320**	1,320
Accrued payroll and welfare payables	**114,200**	126,213
Other tax payables	**17,148**	9,244
	131,348	135,457
Less: non-current portion	**(15,535)**	(15,805)
Total	**1,296,434**	1,347,082

As at 30 June 2023 and 31 December 2022, the carrying amounts of trade and other payables approximated their fair values.

20. TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 June 2023 and 31 December 2022, ageing analysis of trade payables at the reporting date, based on the invoice dates, is as follows:

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited and Restated)
Within 1 year	**577,850**	662,523
1–2 years	**100,427**	108,642
2–3 years	**47,575**	32,175
Over 3 years	**23,881**	15,334
Total	**749,733**	818,674

21. SHARE CAPITAL

	Number of shares	Amount	
	'000 shares	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.10 each			
As at 1 January 2022 (Audited and Restated), 31 December 2022 (Audited and Restated), 1 January 2023 (Audited and Restated) and 30 June 2023 (Unaudited)	1,184,000	118,400	99,829
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
As at 1 January 2022 (Audited and Restated), 31 December 2022 (Audited and Restated), 1 January 2023 (Audited and Restated) and 30 June 2023 (Unaudited)	1,184,000	118,400	99,829

22. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere, the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2023 and 2022:

(a) Transactions with related parties

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and Restated)
Provision of goods and services		
— A joint venture	**547**	149
— Entities controlled by the ultimate holding company	**116,105**	219,015
— Entities over which the ultimate holding company has significant influence and joint control	**93,499**	210,816
— A shareholder of the ultimate holding company of the Group	**964**	18,664
	211,115	448,644
Purchase of goods and services		
— A joint venture	**41,722**	60,183
— Entities controlled by the ultimate holding company	**49,845**	4,246
— Entities over which the ultimate holding company has significant influence and joint control	**2,434**	4,811
	94,001	69,240
Recognition of right-of-use assets		
— Entities controlled by the ultimate holding company	**—**	146
Lease liability interest expenses		
— Entities controlled by the ultimate holding company	**8**	359
— Entities over which the ultimate holding company has significant influence and joint control	**20**	24
	28	383

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Six months ended 30 June	
	2023	**2022**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited and Restated)**
Rental expenses		
— Entities controlled by the ultimate holding company	**1,285**	606
— Entities over which the ultimate holding company has significant influence and joint control	**1,152**	2,355
	2,437	2,961
Deposits receivable from entities controlled by the ultimate holding company		
At 1 January	**118,467**	54,445
Amounts advanced during the period	**363,382**	4,402
Repayments during the period	**(264,007)**	(2,664)
At 30 June	**217,842**	56,183
Deposits receivable from entities over which the ultimate holding company has significant influence or joint control		
At 1 January	**19,368**	16,636
Amounts advanced during the period	**197,104**	1,196
Repayments during the period	**(840)**	—
At 30 June	**215,632**	17,832
Refundable deposits from an entity controlled by the ultimate holding company		
At 1 January	**1,018,745**	—
Amounts advanced during the period	**—**	2,226,523
Repayments during the period	**(392,395)**	(2,226,523)
At 30 June	**626,350**	—
Acquisition of 100% of the equity interest in Sino-Ocean Mechatronics		
— An entity controlled by the ultimate holding company	**58,799**	—

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As At	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited and Restated)
Trade and note receivables		
— Entities controlled by the ultimate holding company	**435,069**	417,173
— Entities over which the ultimate holding company has significant influence and joint control	**238,081**	220,552
— A shareholder of the ultimate holding company of the Group	**553**	510
	673,703	638,235
Other receivables		
— A joint venture	**1,200**	30
— Entities controlled by the ultimate holding company	**881,120**	1,159,358
— Entities over which the ultimate holding company has significant influence and joint control	**219,449**	50,791
	1,101,769	1,210,179
Prepayments		
— Entities controlled by the ultimate holding company	**10,251**	8,112
Trade payables		
— A joint venture	**16,027**	39,669
— Entities controlled by the ultimate holding company	**4,686**	5,224
— Entities over which the ultimate holding company has significant influence and joint control	**157**	7,097
	20,870	51,990

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited and Restated)
Other payables		
— Entities controlled by the ultimate holding company	**20,779**	18,831
— Entities over which the ultimate holding company has significant influence and joint control	**10,864**	8,491
	31,643	27,322
Contract liabilities		
— A joint venture	**—**	13
— Entities controlled by the ultimate holding company	**7,386**	7,445
— Entities over which the ultimate holding company has significant influence and joint control	**6,470**	5,140
	13,856	12,598
Lease liabilities		
— Entities controlled by the ultimate holding company	**240**	9,339
— Entities over which the ultimate holding company has significant influence and joint control	**677**	632
	917	9,971

(c) Key management compensation

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, bonuses and other benefits	**4,529**	3,821

23. BUSINESS COMBINATION UNDER COMMON CONTROL

On 24 February 2023, Ocean Homeplus and Beijing Qianyuan entered into an equity transfer agreement, pursuant to which Ocean Homeplus has conditionally agreed to acquire 100% equity interest in Sino-Ocean Mechatronics at a total consideration of RMB58,799,000 (Note).

The net book value at the date of common control combination:

	1 January 2022 RMB'000 (Unaudited and Restated)
Contract assets	15,837
Cash and cash equivalents	298
Trade and other receivables	183,361
Tax payables	(415)
Trade and other payables	(136,798)
Contract liabilities	(12,013)
Total net assets	50,270

Note: According to the equity transfer agreement, Ocean Homeplus has agreed to acquire 100% equity interest in Sino-Ocean Mechatronics with cash consideration of RMB54,000,000. In addition, Beijing Qianyuan and Ocean Homeplus had agreed the retained earnings of RMB4,799,000 as at 31 January 2023 belongs to Beijing Qianyuan when the transaction is completed. Therefore, RMB4,799,000 was treated as part of the consideration. Total deemed consideration paid for the acquisition of 100% issued share capital of Sino-Ocean Mechatronics amounted to RMB58,799,000.

24. SUBSEQUENT EVENT

On 21 July 2023, Ocean Homeplus (a wholly-owned subsidiary of the Company) and Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司) ("SOG China", a wholly-owned subsidiary of Sino-Ocean Holding) entered into a parking spaces transfer framework agreement and a commercial properties transfer framework agreement in relation to the acquisition by Ocean Homeplus and its subsidiaries from SOG China and its subsidiaries of 4,961 parking spaces and 168 commercial properties (with a total gross floor area of approximately 12,901 sq.m. in aggregate) in the PRC (collectively, the "Target Assets") respectively (the "Assets Acquisition"). The aggregate consideration for the Assets Acquisition was RMB626,350,000, which shall be offset against the refundable deposit receivables due from the Sino-Ocean Group (for the avoidance of doubt, excluding the Group) to the Group in its entirety.

Upon completion of the Assets Acquisition, the financial results of the Target Assets will be consolidated into the financial statements of the Group. The Assets Acquisition has not been completed as at the date of this report.

Details of the Assets Acquisition have been disclosed in the joint announcement of the Company and Sino-Ocean Holding dated 21 July 2023.

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)
"Director(s)"	the director(s) of the Company
"ESG"	environmental, social and governance
"Executive Director(s)"	the executive Director(s)
"GFA"	gross floor area
"Group" or "we"	the Company and its subsidiaries
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Non-executive Director(s)"	the independent non-executive Director(s)
"Joint Chairmen"	the joint chairmen of the Board
"Latest Practicable Date"	8 September 2023, 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
"Nomination Committee"	the nomination committee of the Company
"Non-executive Director(s)"	the non-executive Director(s)
"Ocean Homeplus"	Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Prospectus"	the prospectus of the Company dated 7 December 2020
"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
"Sino-Ocean Mechatronics"	Sino-Ocean Mechatronics Equipment Technology Development Co., Ltd.* (遠洋機電設備技術發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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

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