遠洋服務
SINO-OCEAN SERVICE

2023 ANNUAL REPORT

SINO-OCEAN SERVICE

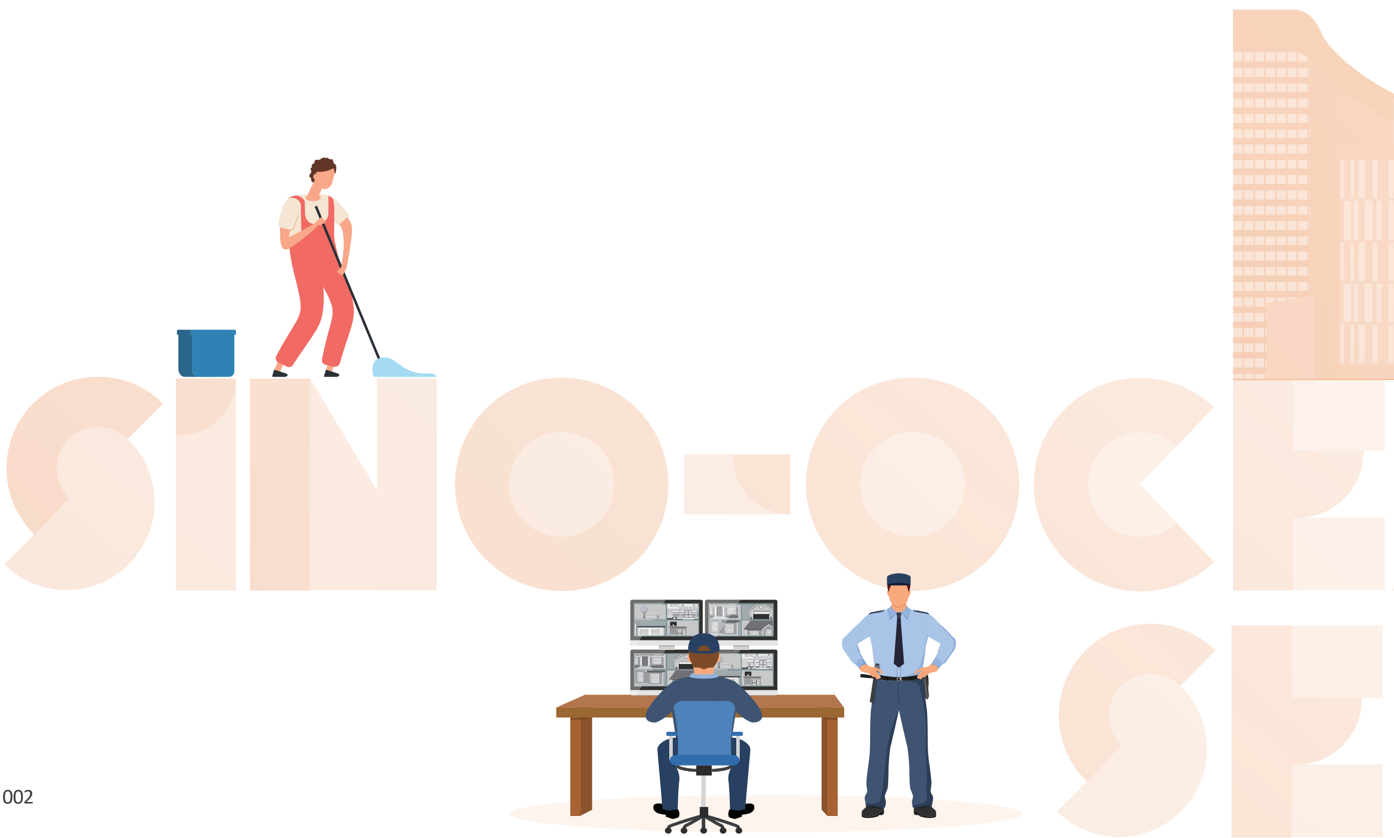
遠洋服務控股有限公司
Sino-Ocean Service Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 06677.HK

BEING UNDERSTANDING AND INNOVATIVE

CONTENT



CORPORATE OVERVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. According to China Index Academy, in terms of overall strength in 2023, we were honored 13th in the "2023 TOP100 Property Management Companies in China" and we received other accolades such as "2023 China High-end Property Service Leading Company", "2023 China Leading Property Management Companies for Feature Properties — Outstanding Enterprise in Asset Management and Operation of Properties" and "2023 Leading Brand in Service Quality in the Property Service Sector of China".

Total Contracted GFA of
136.1
million sq.m.

Total GFA under management of
101.0
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 of which shares 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 operate business in 84 cities across 28 provinces, autonomous regions and municipalities in China.

As of 31 December 2023, our total contracted GFA reached 136.1 million sq.m. and we managed 506 properties in China with a total GFA under management of 101.0 million sq.m., including 321 residential communities, 68 commercial properties and 117 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, as well as 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

321	68	117
Residential communities	Commercial properties	Other properties

GEOGRAPHIC COVERAGE

Our projects covered 84 cities across 28 provinces, autonomous regions and municipalities in China.

Beijing-Tianjin-Hebei

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

Bohai Rim

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

Eastern China

Changzhou, Chuzhou, Hangzhou, Hefei, Huai'an, Jiaxing, Jinhua, Nanjing, Nantong, Ningbo, Shanghai, Suzhou, Suqian, Taizhou (Zhejiang 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

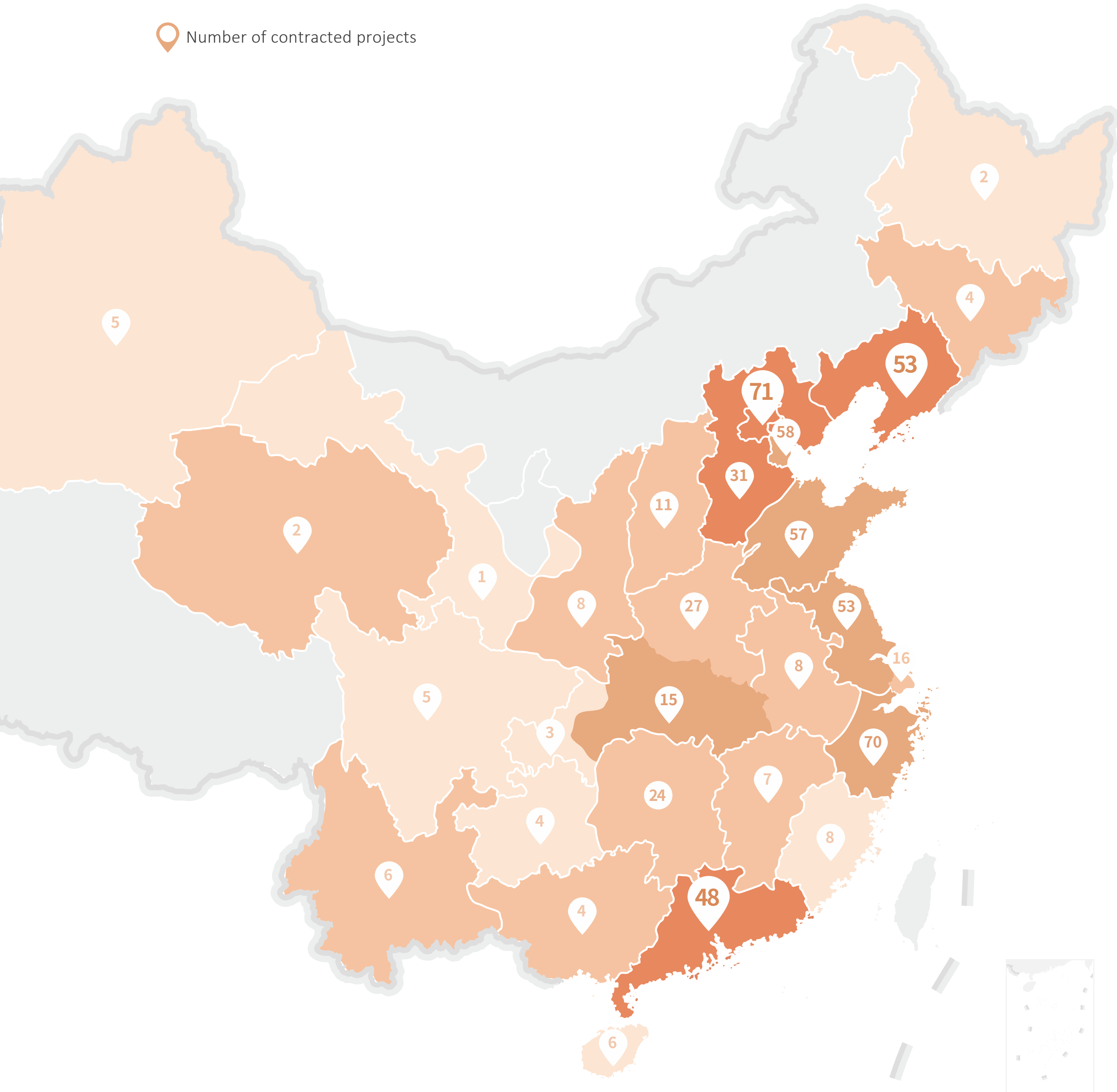
66+ Properties under management in Beijing (including commercial operations)

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

www.sinooceanservice.com

Investor Relations Contact

ir@sinooceanservice.com

FINANCIAL AND OPERATIONAL SUMMARY

CONSOLIDATED RESULTS

For the years ended 31 December

(RMB million)	2023	2022 (Restated)	Changes
Revenue	**3,133**	3,330	**−6%**
Gross profit	**598**	773	**−23%**
Gross profit margin (%)	**19%**	23%	**−4pts**
Profit for the year	**40**	79	**−49%**
Net profit margin (%)	**1%**	2%	**−1pts**
Profit attributable to owners of the Company	**42**	76	**−44%**
Basic and diluted earnings per share (RMB)	**0.036**	0.064	**−44%**
Proposed final dividend per share (RMB)	**0.0144**	0.1230	**−88%**

CONSOLIDATED FINANCIAL POSITION

As at 31 December

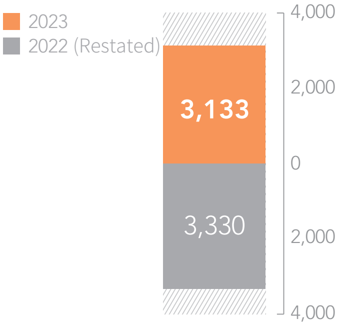
(RMB million)	2023	2022 (Restated)	Changes
Total assets	**4,039**	4,260	**−5%**
Total equity	**2,146**	2,308	**−7%**
Equity attributable to owners of the Company	**2,099**	2,257	**−7%**
Cash resources[1]	**661**	473	**40%**
Current ratio (times)	**1.6**	1.7	**−6%**

Note:

1) Including the restricted bank deposits

Revenue

(RMB million)

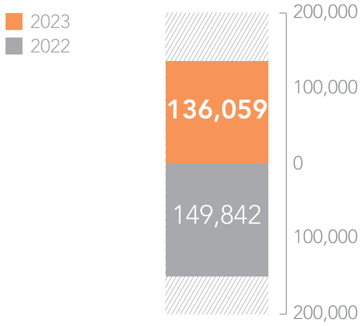


down from 2022

6%

Contracted GFA

('000 sq.m.)

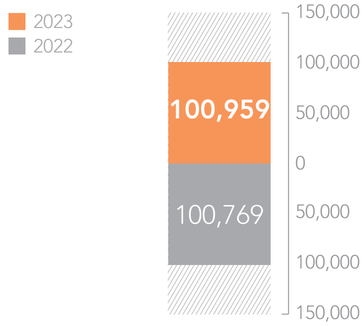


down from 2022

9%

GFA under management

('000 sq.m.)

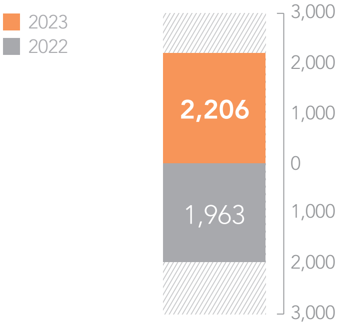


up from 2022

0.2%

Revenue from property management and commercial operational services

(RMB million)

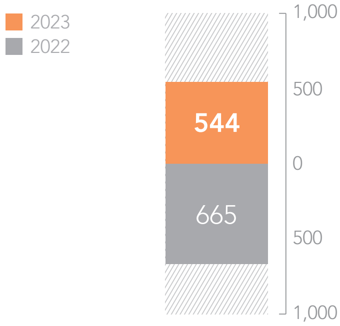


up from 2022

12%

Revenue from community value-added services

(RMB million)

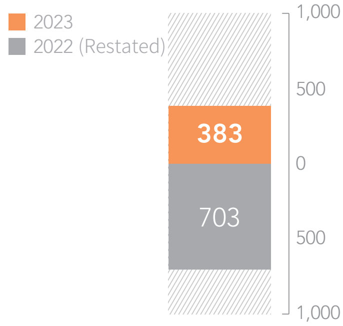


down from 2022

18%

Revenue from value-added services to non-property owners

(RMB million)

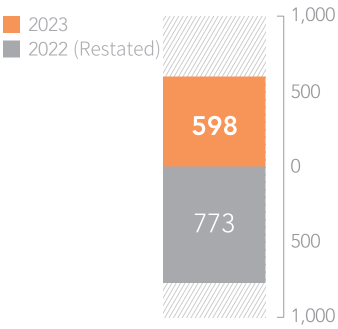


down from 2022

45%

Gross profit

(RMB million)

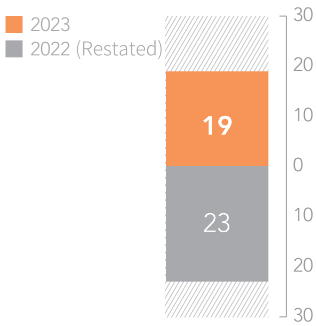


down from 2022

23%

Gross profit margin

(%)

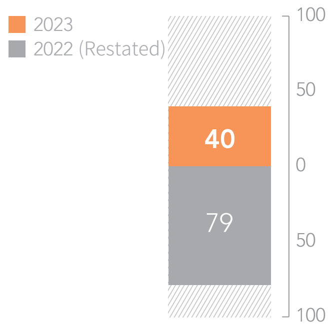


down from 2022

4 pts

Profit for the year

(RMB million)



down from 2022

49%

MAJOR EVENTS

January	Tower C of Ocean Office Park receives BOMA 360 renewal. The commercial property management services of Sino-Ocean Service seek to enhance its energy and resource utilisation ratios and procure sustainable property management to the maximum extent in close tandem with the concept of "Building • Health". Following the rigorous audit process of BOMA on the operational competence in 6 major areas, Tower C of Ocean Office Park successfully attained BOMA 360 renewal. The renewed accreditation attested to the professional standards of the office management services of Sino-Ocean Service in terms of soft operation such as environmental management and asset management, and its ability to create green premium on the back of the superior, international standards of its services, thereby delivering greater value to customers and the society.
January	Ocean We-Life (Tianjin) commences business. On 14 January, Ocean We-Life (Tianjin) commenced business. With a total GFA of approximately 380,000 sq.m., it was a diversified commercial landmark accommodating leisure, entertainment and dining under one roof. Sino-Ocean Service provided property management and operational management services for this project and advanced the commencement and subsequent operational management with superior quality. Major branded tenants befitting the theme of this commercial property included China Resources Mart, AKSO Fitness, Uchiyama Shoten, China Film Taihe, COSTA and Chow Tai Fook, among others.
March	Sino-Ocean Service announces its 2022 annual results. Sino-Ocean Service announced its 2022 annual results and held a results presentation.
May	Cooperation with the Beijing 1733 Project to expand the office property management business. Sino-Ocean Service successfully signed a contract with the Beijing 1733 Property Project serving mainly the employees of ByteDance. Customised servicing plans were formulated with refined servicing details to meet the needs of the customers. Services provided included property inspection in the preparatory stage and property management in the operation stage. Sino-Ocean Service provided high-quality property management services according to the concept of efficient operational management to assist the enterprise to explore management ideas and innovative management practices.
July	Delivering quality services through IP service initiatives. Sino-Ocean Service launched brand IP activities such as "Artisan Home" and "Friendly Neighbors+" to provide high-quality and heartwarming services. "Artisan Home" sought a full upgrade in servicing quality through improvements in environment, comfort and safety. The "Friendly Neighbors+" campaign featured activities such as summer water games for kids, parent-kid moments, care for solitary seniors and a wide range of convenience services to create a platform of harmony and inclusivity for property owners catering to the spiritual and cultural dimensions of their life.
August	Sino-Ocean Service announces its 2023 interim results. On 22 August, Sino-Ocean Service announced its 2023 interim results.
September	Sino-Ocean Paradise Home Senior Living Service Station is officially unveiled. On 6 September, Sino-Ocean Paradise Home Senior Living Service Station, the first community senior living service station of Sino-Ocean Service, was officially unveiled, signifying the gradual implementation of the "property + senior living service" business model of Sino-Ocean Service. Under the guidance of competent authorities such as the Ministry of Housing and Urban-Rural Development, China Property Management Institute and Beijing Municipal Commission of Housing and Urban-Rural Development, Beijing Sino-Ocean Paradise became the only property in Beijing selected as a pilot project in "property service + home senior living". Sino-Ocean Service continued to explore a sustainable new model for domestic services that would meet the needs of senior citizen owners.
November	Publication of Sino-Ocean Service Residential Service System Standardisation White Paper. Sino-Ocean Service announced the Residential Service System Standardisation White Paper setting out 21+ standard service scenarios with 152 sub-points to govern service contact points for the full cycle and ensure high-standard service through standardisation. From rudimentary property services to scenario-based diversified services, Sino-Ocean Service is consistently improving its service quality in an artisan's spirit, seeking not only to safeguard asset value for property owners, but also to enhance their quality of life.

AWARDS AND HONORS

EH Consulting

1 2023 TOP12 Property Management Companies of China — Super Servicing Competence
2 2023 Property Service Companies of China — Premium Servicing Competence — Beijing
3 2023 Listed Property Companies of China — Best Long-term Investment Value
4 2023 TOP12 China Listed Property Companies

CRIC Property Management and China Property Management Research Institution

1 2023 Top100 of China Property Management Companies — Brand Value
2 2023 Top20 of China Property Management Companies — Overall Strength
3 2023 Quality Leading Companies of China in Property Service

China Index Academy

1 2023 TOP100 Property Management Companies in China (Ranked 13th)
2 2023 Leading Brand in Service Quality in the Property Service Sector of China
3 2023 China Leading Property Management Companies for Feature Properties — Outstanding Enterprise in Asset Management and Operation of Properties
4 2023 China High-end Property Service Leading Company

Guandian Index Institution

1 2023 Superior Performance of properties service — Excellence
2 2023 Annual Superior Performance of properties service

Zhitong Finance

1 Most Valuable Real Estate and Property Service Companies
2 Best Listed Companies in Social Responsibilities

CHAIRMAN'S STATEMENT

On behalf of the Board, I have the pleasure to present the annual results of the Group for the year ended 31 December 2023.

2023 MARKET REVIEW

The scale of the property management industry was expected to reach 30 billion sq.m. in 2023, indicating an overall stable growth. However, as the upstream property market continued to be stressed and mergers and acquisitions subsided, third-party expansion became an important growth channel. Property management enterprises actively embraced changes in the market and focused on quality service for longer and more stable growth. The capital market was also making rapid adjustments. As high valuations continued to be eliminated, industry values returned to a more rational level. Boosting one's size and strength through public listing and seeking to 'overtake round the bends' became difficult. The competitive landscape of property management industry was taking shape. Property owners' needs became more diversified and individualized, therefore adhering to customers' needs and service quality, pursuing high-quality growth and building a superior brand became the beacon for property management companies' development. At the same time, the on-going special features of the industry provided a growth engine for the future: the growth trend and edge remained unchanged; the attributes of a light asset cash cow raised resistance to risks; the market structure of current scale and increment had not changed, allowing sufficient space for growth; desire for a good life and high-quality services remained, and the needs for services will provide more diverse opportunities. The state mapped out the route at top level, clearly identifying regional focus and functional classification of urban renewal. Communities were the basic elements of urban public services and governance. Encouraging the rapid integration of property management into grass-roots social governance and participation in improving community infrastructure became the focus of national and local policies. Relevant policies relating to senior living, housekeeping services, household consumption, community construction and industry standards were rolled out to encourage large scale property management companies to expand into people's livelihood.

In 2023, the Group continued to consolidate the basis of sustainable development, working tirelessly on high-quality and sustainable growth. We were steadfast in our commitment to 'serving customers with an artisan's spirit' and raising service quality and owner satisfaction continually. We upgraded our service systems, ensuring excellence with standardisation of services. We continued to expand management scale in residential properties, industrial parks and office buildings, particularly high-quality projects. We probed property owners' needs and explored innovative models as well as a spectrum of value-added businesses. We enhanced management streamlining and improved business structure for healthy growth. We were also keen in promoting energy-saving, environmental optimization and green sustainable development. We persevered in our service concept of 'being understanding and innovative', and always focused on users' needs in our services. We spared no efforts towards achieving our goal of becoming a branded superior integrated property management service provider in China.

2023 RESULTS

For the year ended 31 December 2023, the Group's revenue was RMB3,133.2 million, down approximately 6% YoY, gross profit was RMB597.7 million, down approximately 23% YoY. Net profit for the year was RMB40.0 million, down approximately 49% YoY. Profit attributable to owners of the Company was RMB42.1 million, down approximately 44% YoY. Basic earnings per Share was RMB0.036, down approximately 44% YoY.

Persevered in high-quality sustainable growth, expanded the scale of property under management steadily

The Group continued with the growth strategy of one-body-two-wings, with residential, commercial and office properties as the principal business while developing synergy with diverse businesses, covering residential and commercial premises, offices, schools, hospitals, industrial parks, logistics parks, internet data centres, government facilities and urban spaces.

In 2023, the Group focused even more on growth with operation quality. On the one hand, we sought external expansion, while on the other withdrew from projects that suffered prolonged losses or deficit cash flow. Both contracted GFA and GFA under management were maintained at over 100 million sq.m. As at 31 December 2023, contracted GFA was 136.1 million sq.m., GFA under management was 101.0 million sq.m., indicating a noticeable expansion. Contracted GFA from third parties accumulatively reached 74.5 million sq.m. Newly contracted GFA from third parties accounted for approximately 69% of total new contracted GFA.

We carried on with intensive cultivation of core cities, augmenting our edge in Beijing-Tianjin-Hebei and the Bohai Rim Region. We penetrated the Southern China Region, the Eastern China Region, the Central and Western China Region. We raised the company management density in the existing covered cities, for stronger synergy of projects in core districts. In 2023, tier-one and tier-two cities and other strategic cities accounted for 85% of GFA under management, including well penetrated cities such as Beijing, Tianjin, Qingdao, Dalian, Shenzhen and Chengdu, reinforcing our edge in scale.

With customer satisfaction as orientation, we persistently expanded into large clients. Based on customers' needs, we put in place high standards and bespoke services to distinguish our professionalism and win customers' recognition. In 2023, we established good cooperating relationships with CNOOC, Vipshop and Goertek etc., strengthening our network with large clients.

Remained committed to serving users with ingenuity, elevated service quality incessantly

The Group remained committed to the principles of service quality as the starting point, customers' demands as orientation and a flawless management system as foundation. We built a high-end service system based on the dimensions of 'health for all ages', 'attentive care' and 'round-the-clock protection'. Upholding the concept of 'being understanding and innovative', we satisfied people's desire for a good and healthy life with our services. Believing in 'standards determine quality', we were unwavering in standardizing services to ensure quality service experiences. In 2023, based on property owners' needs and past experience, we released the 'White Paper on Standardized Services for Residential Service Systems', regulating full-cycle service points. Our focus on service quality raised customers' satisfaction continually, placing us at an outstanding overall satisfaction level in the industry in 2023.

Special campaigns such as the Service Improvement Scheme, Greenery Action and Upgrading Action effectively raised awareness among property management personnel, ensured green upkeep in communities and enhanced maintenance of public facilities. We provided services with special features to property owners by launching brand IP activities and building up benchmark projects. The 'Ingenious Home-building' and 'Friendly Neighbourhood+' branded IP activities rolled out in 2023. With the high quality service, our Sky Mansion project in Kunming won the '2023 China Benchmark Property Service Project' award, and the Ocean Palace project in Shenzhen won the '2023 China Residential Property Service Benchmark Project' award.

Services for commercial space and offices aligned with international standards, enabled commercial value to rise

The Group cultivated mid to high-end services for commercial space and offices. Through consolidation of resources and optimization of the setting, our branding and capabilities leaped from 'quantity change' to 'quality change'. Adhering to the service concept of 'building • health', we actively cultivated grade-A offices, from consultancy services during the project planning stage to property management and asset operation management services after delivery, providing a one-stop high-calibre property operation solution to property owners, asset managers and operators of commercial space and offices.

The Group's commercial space and office services were awarded eight international certifications: one golden key, two national excellence and one municipal excellence. Tower C of Ocean Office Park passed BOMA International's stringent review of operation management capabilities in six major areas and received certification renewal by BOMA International 360. From 2018 to 2023, Tower C of Ocean Office Park adopted the BOMA international certification standards, highlighting its excellent asset operation quality and management capabilities. At the same time, the Group established and enhanced a sustainable development system based on ESG for product and services, energy management, environmental management and customer satisfaction. Our efficient operation management and experience in energy and sustainability management facilitated the Group to think out of the box in concepts and practice. Ocean Plaza was the first to install a pilot facility for on-site harmless treatment of kitchen waste, providing an effective and sustainable solution to the problem. Ocean Plaza was awarded the '2023 China Commercial Property Services Benchmark Project' for its high-quality services.

We actively explored new models for servicing and operating shopping malls to become an industry benchmark. Each project was differentiated by the various activities arranged throughout the year. Deploying staggered schedules, characteristics of brand clientele and VIP-specific activities, we managed to restore business normality, raise sales, confidence and revenue for tenants in the malls. Both customer traffic and membership of commercial projects recorded a steady growth in 2023.

Continually optimized value-added business structure, satisfied users' diverse demands

The Group took into consideration the scenarios of 'food', 'living', 'movement' and 'senior living' in property owners' life. With an insight into their needs, we designed service types, consolidated good resources to create a convenient, high-quality and standardized 'ocean style' living environment. We continued to cultivate the four major businesses of community living, property brokerage services, home decoration services, and community space operation services. Remaining profit-oriented, we facilitated innovative owner-operated businesses, opened up C-side consumption settings to initiate a favourable and replicable business model. We completed a nation-wide planning for various businesses including community storage, power charging and part-time estate agency. We also launched pilot businesses such as owner-operated convenient store, home-improvement and senior living services. We set up standardized services for marketing, products, conversion and after-sales for each new business setting, providing new products and new scenarios for community owners. We enhanced the convenience of value-added services based on property owners' needs to nurture their multiple choices or purchasing habits and raise their stickiness and satisfaction level.

To improve the quality of life for elderly property owners and satisfy their multi-level needs, the Group built up senior stations covering health monitoring, home-care and social life services at low cost and high-quality through consolidating good resources. Senior property owners are able to enjoy personalized and bespoke services at their own doorsteps. The 'Sino-Ocean Community Senior Stations' was officially opened on 6 September 2023 for trial run. This is the Group's first shop in response to the plea from the Ministry of Housing and Urban Rural Development, implementing the 'property management services + senior living' model. The Group will regard home-care for seniors as one of our core advantages in community service. We will consolidate resources and conduct business planning, extending the concept of 'being understanding and innovative' to daily lives of senior property owners. We will continue to upgrade our products and services to create a service platform taking care of seniors' health, home-care and social life.

Proactively committed to corporate social responsibility, integrated into basic governance effectively

The Group has always assumed corporate social responsibility relating to the normal operation and maintenance of properties and enhancing property owners' quality of life. Our active integration into grass-roots governance, involvement in community life, creation of a harmonious and wholesome environment, convenient services, red properties and a better living surrounding won us widespread recognition among property owners and in society.

We built a harmonious and wholesome atmosphere through 'festive gatherings', 'all-age groups' and 'happy sharing', connecting neighbours, encouraging a neighbourhood culture and a friendly community. We organized various clubs for activities suitable for all ages, pet lovers and community activities, linking people who shared a common interest and building relationships. We believe in 'children should have fun, parents and children to be close, neighbours to be friendly and elderlies to enjoy life'. Various events including 'Flea Market', 'Cinema Under the Stars', and 'Battle of Bubbles' were organized, delivering tremendous fun and enjoyment for property owners. We created red properties to improve the living environment, promoted deep integration of party-building and social governance, and explored the new management model of 'party-building leadership + red property services'.

We participated in public welfare in various formats. The Group actively assumed its corporate social responsibility and contributed in a great way to promote the sound growth of charitable functions. In 2023, a series of activities including donations, physical relief work and helping farmer work was launched, doing the best we could to help reviving villages, and encouraging mutual help for society to prosper together. The Group attached great importance to children growing up with public interest in mind and deed. During the year, we organized the 'Sino Ocean Little Citizen Growth Practice Base' together with Ocean World Community Committee, Sino-Ocean Group and Sino-Ocean Charity Foundation, with the objectives of caring for children's growth, promoting parenting, building a more harmonious and favourable atmosphere for children, forming a community-building model of 'walking hand in hand for a healthy society'. It was launched and promoted in Beijing, Shanghai and Dalian.

The Group was unwavering in positioning service as the origin and starting point to satisfy users' needs to an optimal level. Our service quality and professionalism won recognition from property owners, tenants and the industry. We ranked 13th in '2023 TOP100 Property Management Companies in China', were awarded '2023 China High-end Property Service Leading Company' and '2023 China Leading Property Management Companies for Feature Properties — Outstanding Enterprise in Asset Management and Operation of Properties' issued by the China Index Academy; '2023 Top 20 of China Property Management Companies — Overall Strength' and '2023 Quality Leading Companies of China in Property Service' issued by CRIC Property Management and China Property Management Research Institution; '2023 Annual Superior Performance of properties service' issued by Guandian Index Institution, and '2023 Top 12 China Listed Property Companies' issued by EH Consulting.

2024 OUTLOOK

As people pursue a better life, the demands for superb living environment and services increase. The continual progress on streamlined grass-roots governance attracts more policy support for the property management industry and propels rapid development in senior living and convenience services. In addition to the incremental market, the industry also has favourable factors in the existing market. The attributes of light asset and robust cash flow help to resist economic fluctuations. From the perspectives of market demand, consumer attitude, policy orientation and industry structure, the future of property management is wide open. The industry will become even more professional, intelligent, humanized and diverse. Property management enterprises that possess a good brand and offer excellent services will usher in a multi-scenario and multi-level space for development.

In 2024, we shall adhere to our original aspiration and mission of 'serving customers with an artisan's spirit', raise service quality continually, strengthen our professional and service capabilities to craft quality living. We shall persevere in the strategic planning of 'one body, two wings', optimize business structure, promote valuable resources, tap into long-term and stable channels for expansion. We shall innovate our operating model, build stronger cost-control systems, raise quality and efficiency by streamlining management, optimize standardized and systemized operation to ensure services of a high calibre. We shall return to the essence of service and focus on cash flow logic, insist on profit growth with a positive cash flow, gather momentum and capability in operating and service performance as well as operating strategy. We shall set sail with determination and perseverance, remain steadfast in our chosen path of sustainable and high-quality development. Forging ahead, we are determined 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, 26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of the Group's discussion and analysis for the year ended 31 December 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.

Property management and commercial operational services

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

* In this annual report, the consolidated 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 to the Consolidated Financial Statements.


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

Property management services on residential and other non-commercial properties

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

Commercial operational and property management services on commercial properties

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

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

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

Community value-added services

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

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

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

(iii) property brokerage services.

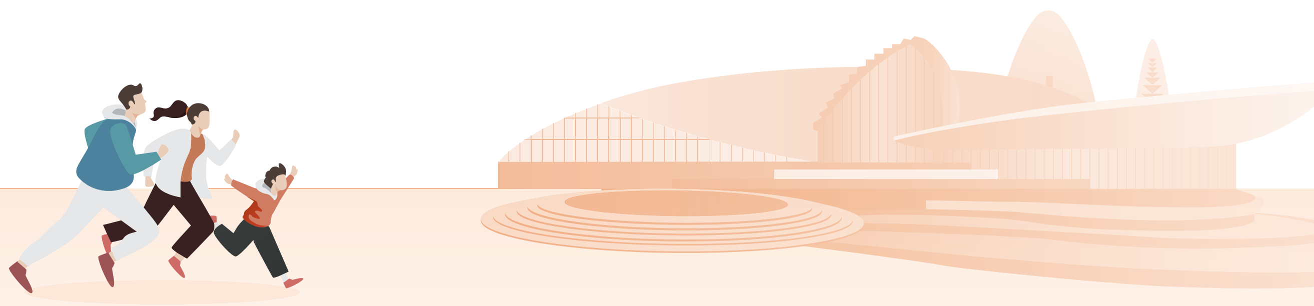
Value-added services to non-property owners

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

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

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

(iii) property engineering services.



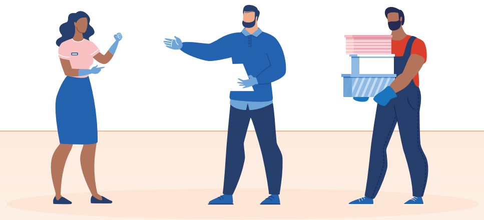
PROPERTY MANAGEMENT AND COMMERCIAL OPERATIONAL SERVICES

For the year ended 31 December 2023, the Group's revenue from property management and commercial operational services amounted to RMB2,205.8 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 year ended 31 December

	2023		2022	
	(RMB'000)	%	(RMB'000)	%
Property management services on residential and other non-commercial properties	**1,698,024**	**77**	1,433,453	73
Commercial operational and property management services on commercial properties	**507,818**	**23**	529,120	27
Total	**2,205,842**	**100**	1,962,573	100



Optimizing quality of projects under management with multiple drivers assuring stable operation. Based on strategic arrangements that were aimed to attain operating quality, the Group actively sought expansion on the one hand and made proactive adjustments to projects that had recorded ongoing losses. As of 31 December 2023, our contracted property management services for various business types amounted to 607 projects, with contracted GFA decreasing by approximately 9% to 136.1 million sq.m. and GFA under management growing by approximately 0.2% to 101.0 million sq.m., compared to 31 December 2022. During the year, the Group continued to procure expansion through multiple channels, such as tendering, merger and acquisition, 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 also being actively engaged 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 of property management service projects as at the dates indicated:

As at 31 December

	2023	2022
Contracted GFA ('000 sq.m.)	136,059	149,842
Number of projects relating to contracted GFA	607	670
GFA under management ('000 sq.m.)	100,959	100,769
Number of projects relating to GFA under management	506	519

Staying focused on regions with deep engagement to build a stable channel for expansion in the long term. The Group continued to be deeply engaged in core cities, as it sought to increase the density of management in existing regions where it claimed an advantage and enhanced coordination among projects in core regions. By enhancing ongoing customer development with strategic customers, formulating high-standard service customization schemes and creating benchmark projects, the Group has continued to enhance its independent market development ability. For 2023, the percentage share of third parties in the Group's contracted GFA of property management service projects further increased to approximately 55%, with third parties accounting for approximately 69% 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:

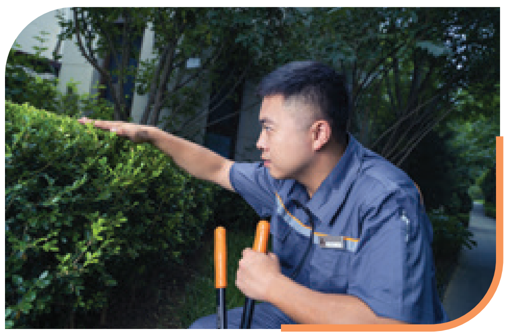
As at 31 December

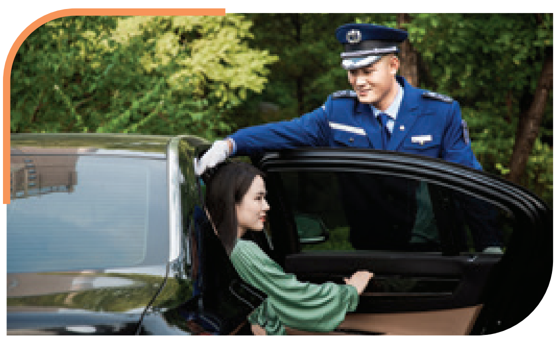
	2023				2022			
	Contracted GFA ('000 sq.m.)	%	GFA under management ('000 sq.m.)	%	Contracted GFA ('000 sq.m.)	%	GFA under management ('000 sq.m.)	%
Properties developed/owned by Sino-Ocean Group (including its joint ventures and associates)	**61,601**	**45**	**51,808**	**51**	60,757	41	48,318	48
Properties developed/owned by other third parties[1]	**74,458**	**55**	**49,151**	**49**	89,085	59	52,451	52
Total	**136,059**	**100**	**100,959**	**100**	149,842	100	100,769	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 of 31 December 2023, our projects covered 84 cities across 28 provinces, autonomous regions and municipalities 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 continued to deeply engaged in the Beijing-Tianjin-Hebei region and Bohai Rim region, while devoting strong efforts to business development in the Eastern China region, Southern China region and Central and Western China region, underpinned by notable expansion in coverage and business growth in the Southern China region. As of 31 December 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%, 21%, 17%, 14% and 15%, 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 years ended 31 December 2023 and 2022, respectively:

As at or for the year ended 31 December

	2023				2022			
	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	Revenue (RMB'000)	%	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	Revenue (RMB'000)	%
Beijing-Tianjin-Hebei region[1]	47,085	33,026	694,830	33	48,649	33,340	687,452	37
Bohai Rim region[2]	26,983	21,503	401,191	19	30,386	21,813	339,970	18
Eastern China region[3]	21,610	17,260	456,012	22	27,433	20,720	410,337	22
Southern China region[4]	16,619	13,923	265,616	12	18,750	10,092	228,027	12
Central and Western China region[5]	23,762	15,247	292,907	14	24,624	14,804	209,517	11
Total	136,059	100,959	2,110,556	100	149,842	100,769	1,875,303	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, Changchun, Taiyuan, etc.

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

4) "Southern China region" refers to cities including Zhongshan, Shenzhen, Zhanjiang, Nanning, Foshan, Guangzhou, Sanya, Liuzhou, etc.

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

The Group's projects are mainly concentrated in first-tier and second-tier cities such as Beijing, Tianjin, Hangzhou and Wuhan. First-tier and second-tier cities accounted for approximately 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 service projects were primarily located as at 31 December 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	19,639	14	17,177	17
New first-tier cities	34,083	25	26,402	26
Second-tier cities	48,811	36	42,226	42
Other cities	33,526	25	15,154	15
Total	136,059	100	100,959	100

Focused on service quality upgrade and improvement of differentiated service regime to ensure long-term reward for premium service. During 2023, we were focused on upgrading our service quality as we conducted delicacy operation on a continuous basis to drive qualitative and sustainable development. The Group recorded a 93% property management fee payment ratio. Based on customer contact, we formulated the Clean Oxygen Programme, Operation Brilliance and Operation Facelift, among others, to provide property owners with special property services focused on service quality and details in ongoing enhancement of customer satisfaction. In terms of relations with property owners, a more proactive management approach was adopted with a customer visit system going online, through which visits and responses to property owners were made on a regular basis to solve any problems for customers in a timely manner. Meanwhile, our response to and handling of property owners' complaints was also enhanced, as more rigorous training specific to issues under complaint was provided according to different professional areas with a strong emphasis on appraisal to increase the delicacy level of our service and effectively optimize our service quality. A strong emphasis was also placed on community safety, as we sought to improve our professional competence according to high standards under the theme of "Pre-emptive Actions and Priority of Life", organizing fire drills throughout our projects across the nation as well as safety risk hazard inspection at projects, while patrol and inspection of fire escape access and elevator maintenance were provided by frontline professionals on a regular basis to assure safety for property owners in their daily lives.

Property management services on residential and other non-commercial properties

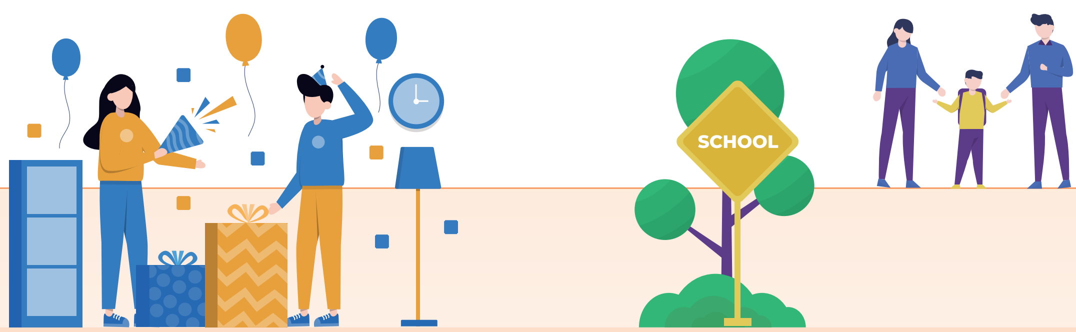
As of 31 December 2023, the contracted GFA and GFA under management of the Group's residential and other non-commercial property projects were 125.7 million sq.m. and 94.8 million sq.m., respectively, decreasing by approximately 9% and basically unchanged, respectively, as compared to 31 December 2022.

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

	As at 31 December	
	2023	**2022**
Contracted GFA ('000 sq.m.)	**125,676**	138,180
Number of projects relating to contracted GFA	**523**	576
GFA under management ('000 sq.m.)	**94,812**	94,106
Number of projects relating to GFA under management	**438**	444

Commercial operational and property management services on commercial properties

For the year ended 31 December 2023, the Group's revenue from commercial operational and property management services on commercial properties amounted to RMB507.8 million, decreasing by approximately 4% compared to the previous year. The Group provides commercial operational and property management services primarily to shopping malls and office buildings.



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

	As at 31 December	
	2023	**2022**
Property management services		
Contracted GFA ('000 sq.m.)	**10,383**	11,662
Number of projects relating to contracted GFA	**84**	94
GFA under management ('000 sq.m.)	**6,147**	6,663
Number of projects relating to GFA under management	**68**	75
Commercial operational services		
Contracted GFA ('000 sq.m.)	**939**	2,357
Number of projects relating to contracted GFA	**16**	32
GFA under management ('000 sq.m.)	**769**	1,620
Number of projects relating to GFA under management	**15**	26

Improving management performance with the adoption of green concepts while enhancing value of commercial assets by matching international standards. As of 31 December 2023, the Group's commercial property management service projects had a contracted GFA amounted to 10.4 million sq.m. and GFA under management of 6.1 million sq.m., decreasing by approximately 11% and 8%, respectively, as compared to 31 December 2022. First-tier and second-tier cities accounted for 100% of our GFA under management. The average property management fee for the year was RMB10.7/sq.m./month. The Group's commercial property management services were focused on the two principal business forms of shopping malls and office buildings, such as Tower C of Ocean Office Park (遠洋光華國際), a project under management of the Group, which obtained BOMA 360 renewal on the back of continuous learning of international standards and improvements in rudimentary service standards and quality in implementation of the international operational and management regime.

Focused on nature of service and qualitative operational growth. GFA under management of projects for which the Group provided commercial operational services amounted to 769,000 sq.m. as at 31 December 2023, decreasing by approximately 53% compared to that as at 31 December 2022 which was due to the decline in the parent company's demand for asset management services under the impact of conditions in the overall economic situation and the real estate market. During the year, we were actively investigating models for the innovative operation of commercial assets which would genuinely fulfill the needs of customers and improve the overall operational standards of our projects. Nevertheless, taking into account the parent company's demand for asset management services and the Company's strategic arrangements, the Group has not renewed the master commercial operational services agreement with the parent company which expired on 31 December 2023. In future, the Company will leverage its wealth of experience in the management of residential, commercial and office properties and focus on the nature of property service to seek genuine improvement in service quality and fulfill the needs of property owners in day-to-day life.

COMMUNITY VALUE-ADDED SERVICES

Persistent expansion and deepening of our principal business with fine-tuning of our products and services. For the year ended 31 December 2023, revenue from community value-added services amounted to RMB544.4 million, decreasing by approximately 18% compared to the previous year and accounting for approximately 18% of the Group's total revenue. In 2023, we optimized the approach of our community value-added services and honed the details of our services and products based on our direction for development, namely, the four principal business focuses of "community living, leasing and sale, home decoration and spatial resources". In connection with community living services, our products sales benefited from growing diversity and flexibility after the launch of live-streamed themed activities through the "Yi Life" app, as sales activities directly reached out to customers through a variety of combinations to assure greater trust on the part of the customers. In connection with lease and sales services, the business cooperation model was adjusted, whereby the model of joint operation of housing agency and property management was upgraded to create a pan-community asset consulting service. Regarding home decoration services, we continued to extend and broaden our service chain, probing the home decoration demands of property owners for new houses while continuing to carry out renovation and refurbishment work for existing houses. In connection with spatial resources, in close tandem with the daily-living requirements of property owners, we continued to optimize convenience facilities for the community with the introduction of public power charging stands and self-serviced car washing to further fulfill property owners' demand for daily convenience services.

Tapping innovative self-operated businesses in active exploration of new scenarios in C-end spending. Subject to the stable operation of our four principal businesses, we were actively identifying and solving potential critical needs of property owners by breaking away from the industry's traditional models and building novel scenarios of community spending with the pilot launch of convenience stores and home decoration services under our own brand. Service standards for the end-to-end chain of novel service spending scenarios have been formulated. By offering value-added services in close tandem with owners' requirements, we have enhanced the loyalty and satisfaction of property owners and further improved our standards in rudimentary property service.

The following table sets forth a breakdown of the Group's revenue generated from community value-added services by service types for the years ended 31 December 2023 and 2022, respectively:

For the year ended 31 December

	2023		2022	
	(RMB'000)	%	(RMB'000)	%
Community asset value-added services[1]	381,941	70	364,543	55
Community living services[2]	81,456	15	197,998	30
Property brokerage services[3]	81,007	15	102,419	15
Total	544,404	100	664,960	100

Notes:

1) Community asset value-added services mainly include carpark management services, community space operation services and energy management 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 and sales agency services of parking spaces, agency in the resale or lease transactions of owners' properties and parking spaces.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Continuous forging of engineering service capabilities to reassure quality of facilities maintenance service and stable business operation. For the year ended 31 December 2023, revenue from value-added services to non-property owners amounted to RMB383.0 million, decreasing by approximately 45% as compared to the previous year (restated) and accounting for approximately 12% of the Group's total revenue. The decline in revenue from value-added services to non-property owners was mainly attributable to the Company's proactive adjustment of its business mix taking into consideration the growth potential of the current real estate market and the operating conditions of upstream real estate companies. During the year, the Group completed the acquisition of Sino-Ocean Mechatronics in further integration of the Group's technical and brand advantages in project engineering and intelligent services. We will continue to reassure our existing service quality to foster the Group's brand image in the facilities and equipment maintenance sector, while introducing innovations to our service model by developing and expanding value-added services to non-property owners along the life cycle of the assets to preserve and enhance their value.

The following table sets forth a breakdown of the Group's revenue generated from value-added services to non-property owners by service types for the years ended 31 December 2023 and 2022, respectively:

For the year ended 31 December

	2023		2022 (Restated)	
	(RMB'000)	%	(RMB'000)	%
Pre-delivery services[1]	154,842	40	210,512	30
Consultancy services[2]	100,228	26	191,329	27
Property engineering services[3]	127,893	34	300,762	43
Total	382,963	100	702,603	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

Persisting in the servicing nature and forging competence in delicacy operation to achieve stable growth in operation.

In firm adherence to our strategic focus, we will persist in offering artisan service to users and practice delicacy management in a continuous manner to drive qualitative, sustainable business development. We will refocus on our nature as a servicing business and concern ourselves with cash flow logic, insisting on achieving profit growth with cash flow quality and empowering ourselves in terms of operating results, service performance and operating strategy. We will focus on improving the service quality of projects by enhancing training and empowerment in relation to published standardisation documents to procure improvement in the processes and service quality of frontline work, while building a management model for projects with material difficulties to train and empower frontline professionals. Customer complaints will be taken in a most serious manner and customer satisfaction will be our top priority. We will continue to advance the customer visit system and seek to understand customers' needs as well as adjust and improve our service contents and quality in a timely manner. A star-rated butler system will also be developed to effectively enhance owners' satisfaction.

Strengthening development of our value-added, advantageous businesses and building a sustainable commercial model with sophisticated attributes of community service.

On top of deep engagement in our principal business, we will optimize the mix of our community value-added services. While maintaining deep engagement our four principal business focuses of "community living, leasing and sale, home decoration and spatial resources", we will pursue delicacy operation and management catered to different product lines and develop innovative self-operated businesses with a persistent profit-oriented approach, conjuring new scenarios for C-end consumer spending to initially form a positive and replicable business model. On the basis of the needs of property owners, we will create a Sino-Ocean daily-living circle characterized by convenience, premium quality and standardisation in ongoing enhancement of product offerings from various business lines, in order to attain sustainable business growth. Moreover, we will actively develop innovative businesses and commence trial runs, with a special focus on the research of retail products and forging of popular products, as we seek to build up retail operations at the properties. A strong emphasis will be placed on the creation of a commodity supply chain underpinned by a wide variety of retail product categories and brand resources, which will be carried by diversified marketing activities conducted on the back of the corporate WeChat account and "Yi Life" app. Livestreaming schemes with standardized processes will be employed to create livestreaming activities with feature themes covering a myriad of flavors from the multitude of cities. Leveraging the community advantage, we will expand our operation of the private domain traffic and increase the rate of new and repeated purchases on the back of multi-scenario consumer spending. The Group will conduct resource integration and business planning in tandem with the development of community senior living service as a future core advantageous service, such that the servicing philosophy of 'being understanding and innovative' will be further applied to daily services for senior property owners. We will also make active endeavors in innovative pilot businesses, going to greater depths to identify customer's needs in multiple daily-life scenarios and provide differentiated services that exceed expectations, in order to enhance brand reputation and user satisfaction.

Continuous improvement of the talent mechanism and succession team building to increase manpower efficiency and create professional service teams.

We will optimize our organizational hierarchy to clearly define the positioning and duties of each tier and reduce redundant structures and personnel, so as to improve the overall efficiency of our organizational structure. We will improve the staff appointment and assessment mechanism and optimize the remuneration regime, with a view to enhancing staff incentivization, motivating professional staff and increasing our organizational vigor by optimizing our performance and remuneration appraisal mechanism. In connection with our principal service business, we will explore new models for staff allocation and reshape the boundaries of the duties of professional positions. Moreover, we will stress the development of a talent regime, with talent stocktaking and a mechanism for promotion, appointment and selection, so as to build a staff team with outstanding professional competence and vocational aptitude and to enhance the operational ability of the core team.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2023 decreased by approximately 6% to RMB3,133.2 million, from RMB3,330.1 million (restated) in 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%, 18% and 12% of the Group's total revenue in 2023, respectively.

The following table sets forth the breakdown of our revenue by business lines for the years ended 31 December 2023 and 2022 respectively:

For the year ended 31 December

	2023		2022 (Restated)	
	(RMB'000)	%	(RMB'000)	%
Property management and commercial operational services				
(a) Property management services on residential and other non-commercial properties	**1,698,024**	**54**	1,433,453	43
(b) Commercial operational and property management services on commercial properties	**507,818**	**16**	529,120	16
Sub-total	**2,205,842**	**70**	1,962,573	59
Community value-added services	**544,404**	**18**	664,960	20
Value-added services to non-property owners	**382,963**	**12**	702,603	21
Total	**3,133,209**	**100**	3,330,136	100

Revenue from property management and commercial operational services increased by approximately 12% to RMB2,205.8 million in 2023 from RMB1,962.6 million in 2022, amongst which, (i) revenue from property management services on residential and other non-commercial properties increased by approximately 18% to RMB1,698.0 million in 2023 from RMB1,433.5 million in 2022. The increase was mainly attributable to our business expansion in this segment, with an increase in the number of residential properties under management to 321 as at 31 December 2023 (31 December 2022: 299); and (ii) revenue from commercial operational and property management services on commercial properties decreased by approximately 4% to RMB507.8 million in 2023 from RMB529.1 million in 2022. The decrease was mainly attributable to the decrease in demand of asset management from parent company and the commercial operational services due to the overall economic situation and real estate market downturn.

Revenue from community value-added services decreased by approximately 18% to RMB544.4 million in 2023 from RMB665.0 million in 2022, 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 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 2022.

Revenue from value-added services to non-property owners decreased by approximately 45% to RMB383.0 million in 2023 from RMB702.6 million (restated) in 2022. The decrease was mainly driven by (i) revenue from property engineering services which decreased by approximately 57% to RMB127.9 million in 2023 from RMB300.8 million (restated) in 2022; and (ii) revenue from consultancy services which decreased by approximately 48% to RMB100.2 million in 2023 from RMB191.3 million in 2022 due to less pre-sale services income attributed to the decrease in pre-sale activities in the PRC real estate market, and due to the decrease in property engineering related services and consultancy services income attributed to our initiatives to diminish the businesses with unsatisfactory cash collection assurance.

Cost of sales and services

For the year ended 31 December 2023, cost of sales and services was RMB2,535.5 million (2022: RMB2,557.5 million (restated)).

The cost of sales and services comprised mainly (i) sub-contracting costs for security, greening and cleaning; (ii) staff cost; (iii) maintenance expenses and utilities; (iv) cost of consumables and construction 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 in 2023 increased by approximately 5% to RMB905.2 million as compared to RMB864.3 million in 2022, which was primarily attributable to the increase in our GFA under management, as well as a general increase in sub-contracting fees due to the increase in labour costs of our sub-contractors.

Staff cost in 2023 slightly increased by approximately 1% to RMB823.6 million as compared with that of RMB813.7 million in 2022, which was in line with the increase in the scale of the Group's projects under management.

Maintenance expenses and utilities and cost of consumables and construction materials decreased by approximately 11% and 55% to RMB422.5 million and RMB58.2 million in 2023, respectively, as compared to RMB476.5 million (restated) and RMB128.3 million in 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 56% to RMB41.0 million in 2023 from RMB92.7 million in 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 decreased by approximately 21% to RMB27.5 million in 2023 from RMB34.7 million in 2022, which was primarily attributable to the decrease in the costs of home decoration services due to more revenue from home decoration services was recognised under commission and net amount basis.

Gross profit and gross profit margin

Gross profit in 2023 decreased by approximately 23% to RMB597.7 million from RMB772.7 million (restated) in 2022. Our overall gross profit margin in 2023 decreased to approximately 19% from approximately 23% (restated) in 2022, mainly attributable to the decrease in gross profit margin of commercial operational and property management services on commercial properties and the decrease in revenue generated from value-added services to non-property owners and community value-added services (higher gross profit margin), affected by the overall economy and real estate market.

The table below sets forth the breakdown of our gross profit and gross profit margin by business lines for the years ended 31 December 2023 and 2022 respectively:

For the years ended 31 December

	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	**286,650**	**17**	247,112	17
(b) Commercial operational and property management services on commercial properties	**75,461**	**15**	145,284	27
Sub-total	**362,111**	**16**	392,396	20
Community value-added services	**164,635**	**30**	241,721	36
Value-added services to non-property owners	**70,993**	**19**	138,568	20
Total	**597,739**	**19**	772,685	23

Gross profit margin for property management and commercial operational services decreased from approximately 20% in 2022 to approximately 16% in 2023. The reduction in gross profit margin was primarily resulted from (i) the rise in labour, gardening and energy costs; and (ii) the decrease in gross profit margin of commercial operational and property management services on commercial properties due to the adverse economic conditions during 2023.

Gross profit margin for community value-added services decreased from approximately 36% in 2022 to approximately 30% in 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 downturn.

Gross profit margin for value-added services to non-property owners slightly decreased from approximately 20% (restated) in 2022 to approximately 19% in 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 in 2023 mainly comprised government grants and interest income from bank deposits. Other income slightly increased by RMB0.2 million to RMB29.7 million in 2023 from RMB29.5 million in 2022. The slight increase was mainly attributable to the increase of interest income from bank deposits and the write-off of long outstanding payables, partly offset by the decrease of government grants during the year.

We recorded other net gains of RMB14.2 million in 2023 (2022: other net losses of RMB4.2 million). Other net gains mainly comprised of gains on disposal of interest in a joint venture of RMB20.6 million and net foreign exchange losses of RMB6.2 million.

Operating expenses

Selling and marketing expenses remained stable at RMB22.4 million in 2023 (2022: RMB22.1 million).

Administrative expenses in 2023 increased by approximately 22% to RMB272.9 million from RMB224.4 million (restated) in 2022. This increase was primarily due to (i) the increase in business expansion activities as compared to 2022; and (ii) amortisation arising from acquired projects.

Net impairment losses on financial assets

Net impairment losses on financial assets decreased by approximately 46% to RMB260.0 million in 2023 from RMB483.1 million in 2022, which was mainly comprised of the provision made by the Group for the impairments on trade and other receivables. The decrease in the net impairment losses on financial assets was mainly attributable to a decrease in provision for impairment on other receivables.

Net impairment losses on goodwill and investment properties

In 2023, due to the overall real estate market downturn in the PRC, the Group recorded net impairment losses on goodwill and investment properties of RMB6.6 million and RMB6.5 million, respectively (2022: nil and nil, respectively).

Finance cost

Finance costs in 2023 and 2022 amounted to RMB0.8 million and RMB1.7 million, respectively, mainly comprised interest expenses of the lease liabilities.

Share of results of joint ventures

In 2023, share of results of joint ventures recorded a loss of RMB8.8 million (2022: a gain of RMB39.7 million). The share of losses of joint ventures was mainly due to the disposal of the equity interests in a joint venture, as well as the decline in the financial performance of joint ventures affected by the downturn of the overall economic situation.

Taxation

The decrease in income tax expense was the combined effects of the decrease in operating profits and the increase in non-deductible items. Income tax expense in 2023 decreased by approximately 13% to RMB23.7 million (2022: RMB27.2 million (restated)).

Profit attributable to owners of the Company

Due to (i) mainly affected by the significant change in the supply and demand in the real estate market which lengthened the settlement cycle of relevant businesses, further provision for impairment on trade receivables was made for the sake of prudence (despite a decrease in the net impairment losses on financial assets, which was mainly attributable to a decrease in provision for impairment on other receivables); (ii) the initiatives to adjust the businesses of value-added services to non-property owners with unsatisfactory cash collection assurance, having taken into consideration the progress of receivables collection; and (iii) mainly affected by the overall economic situation and real estate market, the performance of certain businesses falling short of expectations, leading to a decrease in the gross profit margin of respective businesses, and a decrease in the share of results of joint ventures, the profit attributable to owners of the Company for the year ended 31 December 2023 decreased by approximately 44% to RMB42.1 million, as compared to RMB75.7 million (restated) for the year ended 31 December 2022. Our management will continue to focus on the improvement of our Shareholders' return as an on-going task.

Investment properties

Investment properties represented certain units of office buildings, underground commercial properties and parking spaces located in the PRC, which were held to earn rentals. As at 31 December 2023, the Group's investment properties were amounted to RMB61.5 million (31 December 2022: RMB106.3 million (restated)). Such decrease was primarily attributed to the maturity of the lease periods of the properties leased for earning rentals during 2023.

Property, plant and equipment

Property, plant and equipment mainly consisted of office and operating equipment, leasehold improvement, vehicles and buildings. As at 31 December 2023, the Group's property, plant and equipment slightly decreased to RMB104.7 million from RMB112.2 million as at 31 December 2022.

Intangible assets

Intangible assets comprised of computer software, property management contracts and customer relationships, trademark and goodwill. As at 31 December 2023, the Group's intangible assets decreased to RMB699.0 million from RMB731.6 million as at 31 December 2022. The decrease was primarily due to amortisation and impairment losses during the year.

Inventories

Inventories primarily consisted of parking spaces, commercial properties and community facilities held for sale and consumables held for consumption during the provision of property management services. Our inventories increased to RMB651.4 million as at 31 December 2023 from RMB249.5 million as at 31 December 2022, mainly due to acquisitions of parking spaces and commercial properties from Sino-Ocean Group during the year (please refer to the section headed "Material acquisitions and disposals of subsidiaries, associates and joint ventures" under the Management Discussion and Analysis of this annual report).

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 31 December 2023, trade and note receivables amounted to RMB1,123.0 million, representing a decrease of approximately 4% as compared to RMB1,170.7 million (restated) as at 31 December 2022. The slight decrease was primarily attributable to the increase in allowance for impairment of trade and note receivables, arising from the slowdown in receivables collection under the adverse economic conditions and the sluggish market environment. 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

Prepayments and other receivables include prepayment to suppliers, other receivables and prepaid tax which in aggregate decreased to RMB525.0 million as at 31 December 2023 from RMB1,183.0 million (restated) as at 31 December 2022. The significant decrease was primarily attributable to the completion of the Assets Acquisition during the year (please refer to the section headed "Material acquisitions and disposals of subsidiaries, associates and joint ventures" under the Management Discussion and Analysis of this annual report), the refundable deposit receivables has been settled and offset in full thereafter.

Trade and other payables

Trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including purchase of utilities and materials and purchase from sub-contractors. Accruals and other payables primarily represent: (i) 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 31 December 2023, trade and other payables amounted to RMB1,275.1 million, which remained relatively 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 valued-added services to non-property owners. Contract liabilities mainly arose from the advance payments made by customers while the underlying services such as property management services and carpark management services are yet to be provided. As at 31 December 2023, our contract liabilities amounted to RMB518.1 million, representing an increase of approximately 13% 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 2023, we incurred capital expenditures of RMB46.3 million (2022: RMB219.2 million (restated)), which mainly consisted of (i) purchase of investment properties; and (ii) purchase of intangible assets such as computer software.

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 31 December 2023, the Group had cash and cash equivalents of RMB651.6 million and restricted bank deposits of RMB9.1 million, amounted to RMB660.7 million in aggregate; of which approximately 99.9% (31 December 2022: approximately 99.6%) of the Group's cash resources were denominated in RMB with the remaining balances 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 year ended 31 December 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 31 December 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 31 December 2023, gearing ratio was nil (31 December 2022: nil).

Significant investments

As at 31 December 2023, we did not have any significant investments.

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

Capital commitments

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

Charge on assets

As at 31 December 2023, we did not have any charges on our assets.

Contingent liabilities

As at 31 December 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. The Acquisition had been completed during the year of 2023.

Details of the Acquisition have been disclosed in the announcement of the Company dated 24 February 2023.

Acquisition of parking spaces and commercial properties in the PRC

On 21 July 2023, Ocean Homeplus and 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 Target Assets shall be classified as inventories of the Group. The Assets Acquisition had been completed during the year of 2023 and therefore the refundable deposit receivables due from the Sino-Ocean Group (for the avoidance of doubt, excluding the Group) has been settled in full.

Details of the Assets Acquisition have been disclosed in the joint announcement of the Company and Sino-Ocean Holding dated 21 July 2023 and the circular of the Company dated 25 September 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.

Acquisition of parking spaces in the PRC

On 22 December 2023, Ocean Homeplus and Beijing Yuanxin Asset Management Co., Ltd.* (北京遠新資產管理有限公司) ("Beijing Yuanxin", a wholly-owned subsidiary of Sino-Ocean Holding) entered into a sale and purchase agreement, pursuant to which Ocean Homeplus has conditionally agreed to acquire, and Beijing Yuanxin has conditionally agreed to sell, 196 parking spaces (collectively, the "Target Parking Spaces") at an aggregate consideration of RMB30,262,400. The Target Parking Spaces are located in a grade-A office building known as Ocean Office Park (遠洋光華國際) situated at the core area of the Central Business District, Chaoyang District, Beijing, the PRC.

Upon completion of the above transaction, the Target Parking Spaces shall be classified as investment properties of the Group. The above transaction had been completed during the year of 2023.

Details of the above transaction have been disclosed in the announcement of the Company dated 22 December 2023.

Employees and human resources

As at 31 December 2023, the Group had 9,081 employees (31 December 2022: 10,179 employees). The total number of employees serving the Group decreased primarily attributed to the optimisation of the Company's business strategy. 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 year. Our employee benefit expenses for 2023 was RMB970.9 million (2022: RMB945.6 million (restated)), which was attributable to the increase in labour costs and partly offset by the decrease in number of employees.

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

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

Event after the reporting period

As at the date of this annual report, there was no important event affecting the Group after the financial year ended 31 December 2023.

Use of net proceeds from listing

The Shares 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 approximately RMB1,426.3 million) and the net proceeds per Share were HKD5.72 (equivalent to approximately 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 31 December 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 2023	Unutilised as at 31 December 2023	Expected timetable for the usage of the unutilised proceeds as at 31 December 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	372.8 (Note 4)	2.7	On or before 31 December 2024
Further expansion of the business of commercial asset operation pursuant to the commercial property leasing and operation arrangement	–	–	–	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	292.8	82.7	

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. As disclosed in the 2023 interim report of the Company, 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, RMB372.8 million were utilised during the year ended 31 December 2023, of which (a) RMB318.8 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, RMB2.7 million has not been utilised. As disclosed in the 2023 interim report of the Company, the expected time to utilise such remaining net proceeds has been further extended from 30 June 2023 (as disclosed in the 2022 annual report of the Company) 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 Mainland China and Hong Kong. As at the Latest Practicable Date, the unutilised net proceeds amounted to RMB82.7 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.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company as of the Latest Practicable Date are as follows:

Executive Directors

Mr. YANG Deyong

Mr. Yang Deyong, aged 50, joined the Board in September 2020 and is the Joint Chairman, Executive Director, Chief Executive Officer, chairman of the Nomination Committee and member of the Remuneration Committee. He is also a director of certain subsidiaries of the Company. Mr. Yang joined Sino-Ocean Holding, the controlling Shareholder and the shares of which are listed on the Main Board of the Stock Exchange, in April 2007 and served successively as general manager of Sino-Ocean Property Development Zhongshan (Shenzhen) Co., Ltd.* (遠洋地產中山（深圳）開發有限公司), general manager of customer services division, assistant to the president and vice president of Sino-Ocean Group and other positions. Mr. Yang joined Ocean Homeplus in August 2015 and served successively as a director, chairman and general manager. Mr. Yang has extensive experience in corporate governance, business development and management. Mr. Yang graduated from Renmin University of China with a bachelor's degree in economics in 1995; graduated from Sun Yat-sen University with a master's degree in business administration in 2004; and graduated from China Europe International Business School with an EMBA degree in 2015.

Ms. ZHU Geying

Ms. Zhu Geying, aged 50, joined the Board in September 2020 and is an Executive Director and chief operating officer of the Company. She is also a director of certain subsidiaries of the Company. Ms. Zhu joined Sino-Ocean Group in July 2001 and served successively as the project finance manager and the chief financial officer of the enterprise division of Sino-Ocean Group; Ms. Zhu joined Ocean Homeplus in October 2016, and was appointed as a director since February 2018 and, the chief financial officer since April 2019 and was re-designated as the chief operating officer since August 2021. Ms. Zhu has over 27 years of financial management experience. Ms. Zhu graduated from the Capital University of Economics and Business with a bachelor's degree in economics in 1996. In July 2010, she was qualified as a senior accountant in the PRC.

Non-executive Directors

Mr. CUI Hongjie

Mr. Cui Hongjie, aged 51, joined the Board in September 2020 and is the Joint Chairman, Non-executive Director, member of the Audit Committee and Nomination Committee. Mr. Cui joined Sino-Ocean Group in August 1996 and is serving as an executive director, a member of the strategic and investment committee and an executive president of Sino-Ocean Holding, and general manager of the construction management centre of Sino-Ocean Group. Mr. Cui previously served as general manager of the costing and engineering department, general manager of technology and cost department, assistant to CEO and vice president of Sino-Ocean Group. Mr. Cui has extensive experience in operation and development of real estate, product creation and management. Mr. Cui graduated from Beijing University of Technology with a bachelor's degree in engineering in 1996 and a master's degree in engineering in 2001; and graduated from China Europe International Business School with a master's degree in business administration in 2022. Mr. Cui is a member of the Royal Institution of Chartered Surveyors, a national registered first-class constructor and a senior engineer.

Mr. ZHU Xiaoxing

Mr. Zhu Xiaoxing, aged 41, joined the Board in April 2020 and is serving as the vice chairman of the Company, Non-executive Director and member of the Audit Committee. He is also a director of certain subsidiaries of the Company. Mr. Zhu joined Sino-Ocean Group in 2008 and is serving as a key management of Sino-Ocean Group. Mr. Zhu had previously served as deputy general manager of the capital operation department, and as general manager of the office of CEO affairs of Sino-Ocean Group. Mr. Zhu has over 10 years of experience in property investment, financing and business management. Mr. Zhu graduated from Southwest University of Political Science & Law with a bachelor's degree in management in 2005; and graduated from Peking University with a master's degree in law in 2008. Mr. Zhu was admitted to practice law in the PRC in 2006 and was admitted in the PRC to practice as a certified public accountant in 2009.

Independent Non-executive Directors

Dr. GUO Jie

Dr. Guo Jie, aged 59, joined the Board in November 2020 and is serving as an Independent Non-executive Director, member of the Audit Committee, Remuneration Committee and Nomination Committee. Since May 1997, Dr. Guo has worked in the school of economics of Renmin University of China, and is currently a professor and a doctoral advisor in the school of economics, engaged in teaching and research. Dr. Guo graduated from Renmin University of China with a master's degree in economics in 1996 and a doctorate in economics in 2004.

Mr. HO Chi Kin Sammy

Mr. Ho Chi Kin Sammy, aged 53, joined the Board in August 2022 and is serving as an Independent Non-executive Director, chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee. Mr. Ho worked in Atherton Asset Management Limited (an asset management company which was licensed by the Securities and Futures Commission in Hong Kong) from 2013 to 2022, and served as a director, a responsible officer and a portfolio manager. Mr. Ho has over 25 years of experience in investment, asset management and finance. Mr. Ho graduated from Hong Kong Baptist College (now known as Hong Kong Baptist University) with a bachelor's degree of business administration in finance in 1993; and graduated from Seattle Pacific University with a master's degree of business administration in management in 1996. Mr. Ho is a Chartered Financial Analyst (CFA).

Mr. LEUNG Wai Hung

Mr. Leung Wai Hung, aged 56, joined the Board in August 2022 and is serving as an Independent Non-executive Director, chairman of the Audit Committee and member of the Nomination Committee. Mr. Leung holds a bachelor's degree in business administration from The Chinese University of Hong Kong. He has been a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Mr. Leung has more than 20 years working experience in various listed companies in Hong Kong mainly engaged in property business including Cheung Kong (Holdings) Limited (now known as CK Hutchison Holdings Limited) (stock code: 001). Mr. Leung also has extensive financial experience in initial public offering ("IPO"), merger and acquisition as well as fund raising and is familiar with the business environment of both Hong Kong and the Mainland China. In addition, Mr. Leung has extensive experience in real estate investment trusts ("REIT"). He participated in the IPO setup of the first private sector REIT, Prosperity REIT (stock code: 808) in Hong Kong in 2005 and worked for the manager of Fortune REIT (stock code: 778) as a Finance Director from 2011 to 2012. He also worked as the financial controller of Shougang Concord International Enterprises Company Limited (now known as Shoucheng Holdings Limited) (stock code: 697) from 2013 to 2018. Mr. Leung has also been an independent non-executive director of Fineland Living Services Group Limited (stock code: 9978) since October 2017 and China Fortune Holdings Limited (stock code: 110) since July 2021. Mr. Leung was an independent non-executive director of Beaver Group (Holding) Company Limited (now known as China New Consumption Group Limited) (stock code: 8275), a listed company on GEM of the Stock Exchange, from September 2017 to February 2021. From April 2022 onwards, Mr. Leung has been the financial controller and company secretary of BeijingWest Industries International Limited (stock code: 2339).

Senior Management

Mr. GUO Zhibao

Mr. Guo Zhibao, aged 49, is the vice president of the Company. Mr. Guo joined the Company in 2015 and is also a director and/or general manager of certain subsidiaries of the Company. Mr. Guo used to be a director of the electromechanical committee at Beijing Vanke Property Services Co., Ltd. and an equipment manager of the technology department at Longfor Property Services Group Co., Ltd. He has extensive experience in electromechanical professional technology research and development and management, and engineering management. Mr. Guo completed a degree in civil engineering at China University of Geosciences, via distance learning in 2016; he graduated from Beijing Open University Shunyi Branch with a bachelor's degree in administrative management in 2020. Mr. Guo is a registered electrical engineer in the PRC.

Mr. DU Xin

Mr. Du Xin, aged 48, is the vice president of the Company. Mr. Du joined the Company in 2008 and is also a director and/or general manager of certain subsidiaries of the Company. Mr. Du used to be a business manager and a consulting manager of Shenzhen Gemdale Property Management Co., Ltd., and the business manager and a project manager of Agile Group Holdings Limited. He has extensive experience in business operations and project management. Mr. Du completed a degree in engineering management at Central South University, via distance learning in 2015. Mr. Du is a qualified quality control engineer in the PRC.

Mr. WANG Lifeng

Mr. Wang Lifeng, aged 47, is the vice president of the Company. Mr. Wang joined the Company in 2009 and is also a director and/or general manager of certain subsidiaries of the Company. He has served as the general manager of Shenyang Ocean Foundation Property Management Co., Ltd., and the general manager and regional supervisor of Dalian Ocean Foundation Property Management Co., Ltd. Mr. Wang used to be a project development supervisor of Shenyang Vanke Enterprises Company Limited, responsible for real estate development-related work. Mr. Wang has extensive experience in business operations and project management. Mr. Wang completed a degree in construction engineering at Tianjin University, via correspondence learning in 2004; he graduated from Dalian University of Technology with a master's degree in business administration in 2019. Mr. Wang is registered as a civil engineer and a certified property manager in the PRC.

Mr. LIU Xu

Mr. Liu Xu, aged 38, is the chief financial officer of the Company. He is also a director of a subsidiary of the Company. Mr. Liu joined Sino-Ocean Group in July 2009 and worked for financial and capital center of Sino-Ocean Group as an assistant to general manager of the department. He also served as chief financial officer of a joint venture company of Sino-Ocean Group, Shanghai Xinzheng Finance and Economy Information Consulting Co., Ltd.* (上海新證財經信息諮詢有限公司), assistant to general manager of asset management centre and deputy chief financial officer of customer service department of Sino-Ocean Group. Mr. Liu joined the Company in April 2020 as the deputy chief financial officer and was appointed as the chief financial officer in August 2021. Mr. Liu has extensive experience in financial management. Mr. Liu graduated from the accounting department of Renmin University of China with a bachelor's degree in management in 2007 and obtained a master's degree in management (professional in accounting) from Renmin University of China in 2009.

Company Secretary

Mr. SUM Pui Ying

Mr. Sum Pui Ying, aged 62, has been appointed as the Company Secretary since August 2022. Mr. Sum joined Sino-Ocean Holding in May 2007 and is the company secretary of Sino-Ocean Holding. Mr. Sum has resigned as the chief financial officer of Sino-Ocean Holding since December 2023. He is also a director of certain subsidiaries of Sino-Ocean Holding. Mr. Sum is also the chairman of the board, an executive director, the chairman of the investment committee and the chairman of the nomination committee of Gemini Investments (Holdings) Limited, an associated company of Sino-Ocean Holding and listed on the Stock Exchange. Mr. Sum has extensive experience in corporate management of listed companies, investment and financing and financial management. Mr. Sum graduated from The Hong Kong Polytechnic University and obtained a professional diploma in Accounting in 1988, graduated from University of Wales and obtained a master's degree in Business Administration in 1991, and graduated from The University of Hong Kong and obtained a diploma in Legal Studies in 1996. Mr. Sum is currently a fellow member of the HKICPA and a fellow member of the Institute of Chartered Accountants in England & Wales.

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 2023, we maintained communication with analysts and investors through results announcement press conferences, the official WeChat public account of Sino-Ocean Service and roadshows. Efficient communication between the management and investors were arranged with positive feedback from all parties. On one hand, we participated in investor conferences and industry activities organised by various brokerage firms, while developing other channels to facilitate communication with all parties. On the other hand, we announced the Company's business developments and updates via our official WeChat public account to keep all parties informed of the Company's latest business development.

Our investor relations department will continue to be engaged in more frequent communication with investors with enhanced quality to ensure timely, accurate and effective transmission of information. In the future, we will continue to strive for wider coverage and more recommendations to enhance investors' recognition 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 31 December 2023, the Company recorded:

	Highest	Lowest
Price per Share (HKD)	3.12	0.60

As at 31 December 2023, the total number of issued Shares was 1,184,000,000 Shares. Based on the closing price on 29 December 2023 (i.e. the last trading day of 2023) of HKD0.75, the market capitalisation of the Company was HKD888.0 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 sustainable, qualitative 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.

OPERATIONAL COMPLIANCE: CORNERSTONE FOR SUSTAINABLE DEVELOPMENT

The Group appreciates that resolute adherence to compliance is fundamental to the healthy and lasting development of a company. By enhancing corporate governance and persistently upheld probity in business practices, the Company has provided a stalwart backing for its sustainability. In stringent accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other pertinent laws and regulations, as well as regulatory rules of capital markets such as The Stock Exchange of Hong Kong, the Group has developed a sound and efficient corporate governance structure. As the highest decision-making body, the Board is responsible for formulating strategies, reviewing the Company's organisational structure on a regular basis, monitoring its business activities, the performance of the management and the Company's performance in sustainability under the leadership of the co-chairmen, aiming to ensure the stable and sustainable operation of the Company and safeguard the lawful rights and interests of the stakeholders. The three specialist committees established under the Board, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, have been performing their duties in a diligent manner in accordance with clearly-defined terms of reference. The Group discloses relevant information via the Stock Exchange website and the official website of the Company in a true, accurate and timely manner in strict accordance with the requirements of pertinent laws, 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. To comply with the latest requirements under the Corporate Code of Governance, the Company revised its Remuneration Committee Terms of Reference, Corporate Governance Policy and Code of Conduct for Securities Transactions by the Directors and Pertinent Employees after consideration and approval by the Board and announced the same for implementation in 2023.

The Group has persistently upheld probity in business operation and adopted a stance of zero tolerance against corruption, as it safeguards probity in operations through multiple approaches, such as its internal systems, whistleblowing channel and probity training, among others. In strict compliance with laws and regulations, amendments have been made to a range of internal policies including the "Anti-corruption and Anti-bribery Policy", "Measures for the Handling of Staff Violation of Discipline", "Measures for the Handling of Staff Violation of Discipline", "Measures for Avoiding Conflict of Interest", "Measures for Inspection and Examination of Monitored Cases", "Measures for Whistleblowing and Complaints", "Whistleblowing Policy" and others, applicable to the Group and all subsidiary units. The Group has continued to streamline its whistleblowing channels and made improvements to the mechanism for the protection of whistleblowers, as well as to training, propagation and education in connection with probity, while enhancing internal management and regulating operations to maintain probity, in genuine protection of the Company's sound operation and healthy development.

CUSTOMER-ORIENTED: ARTISAN'S SPIRIT AS DRIVING FORCE

The Group has always upheld the principle of "serving customers with an artisan's spirit" as a driving force behind its provision of premium services, seeking to enhance service quality and offer community care in full protection of customers' interests based on their needs, whilst engaged in mutually beneficial cooperation with suppliers to provide users with services of supreme artisan quality. On the back of a rigorous and comprehensive property management regime, we provide premium services to property owners and continuously improve the physical health environment in line with our brand philosophy of "fostering growth and health for all" to create a comfortable community environment and ambience as well as a culture of community and neighborhood in a bid to build a community environment underpinned by harmony and health. On top of the standardisation and exacting requirements for service quality of our service regime, the Group's commercial property segment consistently challenges itself to attain higher quality in property management. During the year, Tower C of Ocean Office Park obtained BOMA 360 renewal, showcasing another major breakthrough in matching progressive international standards in service quality and management competence.

The Group has continued to advance standardisation, automation, digitalization and upgrades in smart management technologies, as an end-to-end customer service model has been formed through the owners' end, property end, software-as-a-service (SAAS) system end and systems integration end to create a smart community that would enhance customer service quality.

LOW-CARBON: CREATING A GREEN BUSINESS ENVIRONMENT

In adherence to the philosophy of green development, the Group has proactively identified and addressed climate risks and systematically enhanced its environmental management regime to a sound environmental management mechanism which would facilitate the integration of low-carbon practices and emission reduction into various aspects of its day-to-day operation. By improving its efficiency in resource utilisation, reducing the environmental impact of pollutants and enhancing development of the ecological environment, we have continued to raise our standard in sustainability.

The Group implements green operation and consistently improves its environmental management regime in a sweeping effort to enhance energy management, resource management and waste management, increase its resource utilisation ratio, investigate pathways to low-carbon transition and attain harmony with the environment. In 2023, the Company optimized and updated its internal management regulations and various operating guides in compliance with pertinent laws and regulations, whilst introducing improvements emission reduction measures catering to different types of emissions to ensure compliance with the emission standards in different stages such as construction or maintenance. The Group exercises management over waste generated in the process of operation. In 2023, the Company revised its system document "Operational Guide for the Management of Garbage Disposal", stipulating a 100% non-hazardous transfer rate for hazardous and non-hazardous waste. Meanwhile, we entered into "Domestic Waste Disposal and Transportation Contract", "Kitchen Waste Disposal and Transportation Contract" and "Construction Waste Disposal and Transportation Contract" with professional service providers to regulate the treatment, disposal and transportation of various types of waste. During the Reporting Period, the Group obtained a 10-star certification for garbage sorting service capacity. The Group takes into full consideration the efficiency of energy and water resource utilisation at all links of construction and operation. We have established the Management Regulations for Energy Conservation and Reduction of Consumption to enhance management of consumables such as electricity, natural gas and gasoline and forge a conservation-friendly enterprise in accordance with the principles of management according to the law, technological progress, consumption reduction and efficiency enhancement, effective supervision and sustainable development. Addressing climate change represents an important agenda for the Group, as the Group management coordinates its sustainability management regime to support the green transformation of the Company's operation and facilitate greater contribution to carbon neutrality by the Company's business.

WHERE TALENTS MEET: EMPOWERING PEOPLE FOR STRONGER VIBRANCE

The Group's staff are the cornerstone of its corporate development and the driving force that helps us to fulfill the vision of being a "creator of asset value and good life". In line with the principle of mutual respect and common growth, we have formulated a comprehensive regime for the protection of staff privileges and benefits, provided a smooth career development path for staff and fostered a green and healthy workplace environment such that the Company's kindness and care is fully appreciated by staff, who will thus provide more vibrance for the Company's development.

The Group firmly adheres to the principle of equality in employment and vigorously adopts a management philosophy underpinned by a people-centric principle, pursuant to which a sound internal human resources management system has been established to facilitate protection of basic staff rights. As the occupational health and safety staff is the bedrock of the Group's development, we are committed to enhancing the Company's ability to prevent the occurrence of accidents and protecting staff from hazardous factors such as occupational diseases during the course of production and labour work. Meanwhile, the Group places a strong emphasis on staff development throughout an employee's career cycle and the building of succession teams. The path for vocational learning and career development for staff has been streamlined by reference to internal regulations such as the "Measures for the Administration for Promotion and Organizational Appointments" and "Methods for the Administration of Job Grades and Ranks" and a training regime backed by resources such as the training system, lecturers, courses and Yi Academy have been developed to provide scientific training and assessment of employees at different positions according to their individual aptitude and professional development requirements, in order to facilitate prudent selection of talents and establish a comprehensive mechanism for the grooming of succession teams. The Group highly values staff welfare and a variety of recreational activities have been organized and appropriate and effective assistance have been provided to staff to enhance their sense of solidarity and belonging with the Company and to become their strongest backing and most caring partner.

GIVING BACK TO THE SOCIETY: INSPIRING HEALTH AND ENTHUSIASM IN THE COMMUNITY

The Group is committed to becoming a facilitator of social progress and a rallying force for community development. We share the power of charity through solid actions in support of community welfare activities with a special focus on meeting people's expectations for good living and helping the society to find happiness in a life of sustainability.

In an active bid to explore the provision of public services for people's livelihood, the Group has organized a variety of community welfare activities for the care and benefit of people by reference to its "Operational Guide for Customers' Social and Cultural Activities", inviting property owners to participate in online forums as well as offline activities to meet the diverse needs of the public and promote interpersonal harmony and engagement within the community. In vigorous fulfillment of its corporate social responsibility, the Group has made active contributions to drive the qualitative development of community welfare and charity. In 2023, we were engaged in a range of community welfare initiatives such as charitable donations, relief in kind, and assistance to agricultural workers, making due contribution to rural revitalisation and promoting the spirit of mutual aid and care and driving prosperity for all in the society.

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. The 2023 ESG Report will be separately published in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Listing Rules and will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.sinooceanservice.com) at the same time as the publication of this annual report.

REPORT OF THE DIRECTORS

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is a comprehensive property management service provider with extensive geographic coverage in the PRC. The Group's 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). The Group also provides commercial operational services to shopping malls and office buildings, including pre-opening management services and operation management services. In addition to property management and commercial operational services, the Group provides a variety of community value-added services to property owners and residents of the properties under its 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. For details of the business of the Group, please refer to the Management Discussion and Analysis of this annual report.

A list of principal subsidiaries of the Company is set out in note 13 to the consolidated financial statements of this annual report. The analysis of the Group's operating segments and revenue and cost of sales and services in its major operation activities is set out in the Management Discussion and Analysis of this annual report and note 6 and note 7 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on page 103 of this annual report.

During the year under review, a final dividend of RMB0.123 per Share (equivalent to HKD0.141 per Share, rounded to the nearest three decimal places) in respect of the financial year ended 31 December 2022 was paid by the Company. The Board resolved not to declare any payment of interim dividend in respect of the six months ended 30 June 2023.

The Board proposed to recommend at the forthcoming AGM to be held on Thursday, 30 May 2024 the payment of a final dividend of RMB0.0144 per Share (equivalent to HKD0.0159 per Share, rounded to the nearest four decimal places) for the year ended 31 December 2023. The final dividend will be paid in cash in HKD. The relevant exchange rate is the average central parity rate of RMB to HKD as announced by the People's Bank of China for the period from Tuesday, 19 March 2024 to Monday, 25 March 2024 (RMB1 = HKD1.1019). The final dividend is subject to the approval of the Shareholders at the AGM. The final dividend will be paid to the Shareholders whose names are standing in the register of members of the Company at the close of business on Wednesday, 5 June 2024. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 5 June 2024.

It is expected that the cheques for dividend payment in relation to the final dividend will be despatched at the risk of those who are entitled thereto to their respective registered addresses on or around Tuesday, 18 June 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 24 May 2024.

DIVIDEND POLICY

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

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

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

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and note 28, note 29 and note 37(a) to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2023 amounted to RMB1,103.0 million.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 31 December 2023. Details of the Company's share capital are set out in note 27 to the consolidated financial statements of this annual report.

FIXED ASSETS

Movements in the Group's fixed assets are set out in note 18 to the consolidated financial statements of this annual report.

BORROWINGS

As at 31 December 2023, the Group had no borrowings.

DONATIONS

For the year ended 31 December 2023, the Group's donations for charity and other purposes amounted to approximately RMB295,000.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the Chairman's Statement and the sections headed "BUSINESS REVIEW" and "FUTURE DEVELOPMENT PLANS AND OUTLOOK" under the Management Discussion and Analysis of this annual report respectively. The description of principal risks and uncertainties that the Group may be facing are set out in the section headed "2023 MARKET REVIEW" under the Chairman's Statement and note 4 to the consolidated financial statements of this annual report. As at the date of this report, there was no important event affecting the Group after the year ended 31 December 2023. A discussion and analysis of the Group's performance and financial position during the year including analysis using financial key performance indicators is set out in the Financial and Operational Summary on pages 10 to 11 of this annual report and in the section headed "FINANCIAL REVIEW" under the Management Discussion and Analysis of this annual report.

ENVIRONMENTAL POLICY AND PERFORMANCE

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

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

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

For more details, please refer to the section headed "LOW-CARBON: CREATING A GREEN BUSINESS ENVIRONMENT" under the Sustainability Report of this annual report and the 2023 ESG Report which will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinooceanservice.com) at the same time as the publication of this annual report.

STAKEHOLDER RELATIONS

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

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

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

The awards and recognitions we received in 2023 included ranking 13th in "2023 TOP100 Property Management Companies in China", "2023 China High-end Property Service Leading Company" and "2023 China Leading Property Management Companies for Feature Properties — Outstanding Enterprise in Asset Management and Operation of Properties" issued by the China Index Academy; "2023 Top20 of China Property Management Companies — Overall Strength" and "2023 Quality Leading Companies of China in Property Service" issued by CRIC Property Management and China Property Management Research Institution; "2023 Annual Superior Performance of properties service" issued by Guandian Index Institution; and "2023 TOP12 China Listed Property Companies" issued by EH Consulting.

On the employees front, please refer to the section headed "WHERE TALENTS MEET: EMPOWERING PEOPLE FOR STRONGER VIBRANCE" under the Sustainability Report of this annual report.

At Sino-Ocean Service, we treasure our property owners and customers as one of our most important groups of stakeholders and attend to their needs by promoting healthy lifestyles, quality life, amicable neighbor relations and civilized community atmosphere. For more details, please refer to the section headed "2023 RESULTS" under the Chairman's Statement and the section headed "CUSTOMER-ORIENTED: ARTISAN'S SPIRIT AS DRIVING FORCE" under the Sustainability Report of this annual report.

On the environmental front, please refer to the section headed "ENVIRONMENTAL POLICY AND PERFORMANCE" above and the section headed "LOW-CARBON: CREATING A GREEN BUSINESS ENVIRONMENT" under the Sustainability Report of this annual report.

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

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

Please refer to the 2023 ESG Report for further details.

INVESTOR RELATIONS

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

In 2023, we actively communicated with analysts and investors through results announcement press conferences and roadshows, and arranged efficient communication between the management and investors, and received positive feedback from all parties. On one hand, we proactively participated in investor conferences organised by various brokerage firms and strengthened our daily communication with investors. On the other hand, we actively explored communication channels with investors and met with many funds and securities companies. In addition, we also organised and met relevant persons to conduct project site visits and business exchanges to enable investors to have a better understanding of the latest development of the Company's various business segments.

Our investor relations department will continue to strengthen and promote the frequency and quality of communication with investors to ensure timely, accurate and effective transmission of information. In the future, we will continue to strive for wider coverage and more referrals to enhance investors' recognition, confidence and loyalty in the Company and to safeguard the interests of the Shareholders. The Company will publish public information such as announcements, interim and annual reports on the Company's website and maintain regular communication with the capital market through designated personnel. Interested parties can access such information by contacting our investor relations department at ir@sinooceanservice.com.

COMPLIANCE WITH LAWS AND REGULATIONS

With the rapid development of the property management industry in China, the regulatory framework of the property management industry is becoming increasingly well developed and mature. Property service enterprises shall comply with the applicable laws and regulations of the PRC in all aspects of their business activities, including the establishment of property management enterprises, the selection of property service enterprises, property management operations (including security, cleaning, greening, gardening and repair and maintenance services, etc.), labour, environmental protection and foreign exchange control, and shall be bound by laws and regulations at different levels. The Group recognises the importance of conducting business activities in accordance with applicable laws and regulations, and non-compliance in any of the above aspects may result in serious risks and consequences. The Group has reasonably allocated its financial and human resources (especially the construction of the compliance and risk control team) to ensure continuous compliance with various laws, regulations and policy requirements, and has maintained good working relationships with government regulatory agencies through effective communication. The Group strictly complies with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution by Solid Waste, the Energy Conservation Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China and other applicable laws and regulations. During the year under review, to the best of our knowledge, there were no material breaches of or non-compliance with applicable laws and regulations in Mainland China and Hong Kong by the Group that had a significant impact on the business and operations of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 76 to 96 of this annual report.

REMUNERATION POLICY AND RETIREMENT BENEFITS OF THE GROUP

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

Details of the Group's retirement benefit plans are set out in note 11 to the consolidated financial statements of this annual report.

BASIS OF DETERMINING REMUNERATION TO DIRECTORS

The Group's remuneration policy is also applicable to the Directors. The Board determines the remuneration and compensation packages of the Directors and senior management of the Company by receiving recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment, responsibilities and performance of the Directors and senior management of the Company and performance of the Group. No Director is involved in deciding his/her own remuneration.

FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 174 of this annual report.

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 year ended 31 December 2023.

DIRECTORS

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

Name	Position
Mr. YANG Deyong	Joint Chairman, Chief Executive Officer and Executive Director
Ms. ZHU Geying	Executive Director and Chief Operating Officer
Mr. CUI Hongjie	Joint Chairman and Non-executive Director
Mr. ZHU Xiaoxing	Vice Chairman and Non-executive Director
Dr. GUO Jie	Independent Non-executive Director
Mr. HO Chi Kin Sammy	Independent Non-executive Director
Mr. LEUNG Wai Hung	Independent Non-executive Director

Brief biographical details of the Directors as of the Latest Practicable Date are set out on pages 45 to 47 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The term of service as a Director is subject to retirement by rotation and re-election in accordance with the provisions of the Articles. Each of the Non-executive Directors and the Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of one year which is renewable and subject to retirement by rotation and re-election in accordance with the provisions of the Articles.

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

PERMITTED INDEMNITY

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS" in this report, no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and the controlling Shareholder or any of its subsidiaries was the other party subsisted at the end of the financial year or at any time during the financial year under review.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the financial year or subsisted at the end of the financial year.

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

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which were 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 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 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors nor the chief executives 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) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors were aware, as at 31 December 2023, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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 in controlled corporation (note (i))	Long position	821,282,500	821,282,500	69.37%
Shine Wind	Beneficial owner	Long position	799,000,000	821,282,500	69.37%
	Interest in controlled corporation (note (ii))	Long position	22,282,500		

Notes:

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

(ii) 22,282,500 Shares were held by a company in which Shine Wind was indirectly interested as to 49% and therefore, Shine Wind was 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 31 December 2023.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DEED OF NON-COMPETITION

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

For details regarding the Deed of Non-competition, please refer to the paragraphs headed "NON-COMPETITION UNDERTAKING" in the section of "RELATIONSHIP WITH CONTROLLING SHAREHOLDERS" in the Prospectus.

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

COMPETING INTERESTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were approximately 11.24% of the Group's total revenue and approximately 14.16% of the Group's total purchase respectively.

For the year ended 31 December 2023, the aggregate sales attributable to the Group's largest customer was approximately 7.95% of the Group's total revenue.

For the year ended 31 December 2023, the aggregate purchases attributable to the Group's largest supplier was approximately 4.99% of the Group's total purchase.

Apart from Sino-Ocean Holding and its subsidiaries, during the year ended 31 December 2023, as far as the Directors are aware, neither the Directors, their close associates, nor the Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in the five largest customers and suppliers of the Group.

CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Sino-Ocean Holding through its wholly-owned subsidiary, Shine Wind, is a controlling Shareholder for the purpose of the Listing Rules. Accordingly, Sino-Ocean Holding and its associates (as defined under Chapter 14A of the Listing Rules) (excluding the Group) (i.e. the Sino-Ocean Connected Persons) are connected persons of the Company by virtue of Rule 14A.07 of the Listing Rules and the transactions below conducted between the Group and the Sino-Ocean Connected Persons constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors was in any way materially interested in such transactions. Nevertheless, Mr. CUI Hongjie and Mr. ZHU Xiaoxing, each a Non-executive Director, have abstained from voting on the Board resolutions approving the relevant transactions by virtue of their directorship and/or senior positions in Sino-Ocean Holding and/or its associates (other than the Group).

Connected transactions

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

1. 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 (the "Acquisition") at a consideration of RMB54,000,000[1], which shall be paid by Ocean Homeplus in cash in full within three business days after the date of completion. 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. The Acquisition had been completed during the year of 2023.

Details of the Acquisition have been disclosed in the announcement of the Company dated 24 February 2023.

2. Disposal of parking spaces in the PRC

On 29 May 2023, SOG China (a wholly-owned subsidiary of Sino-Ocean Holding), Zhongyuan Hotel Property Management Co., Ltd.* (中遠酒店物業管理有限公司) ("Zhongyuan Hotel PM Co", a wholly-owned subsidiary of the Company), and Beijing Easyhome Furniture Franchise Co., Ltd. (北京居然之家家居連鎖有限公司) ("Beijing Easyhome") entered into a cooperation agreement (the "Cooperation Agreement") in respect of, among others, the disposal of the 53 parking spaces located at a shopping centre located in Beijing, the PRC known as Ocean We-Life Plaza (Beijing)* (遠洋未來廣場(北京)) with a total GFA of approximately 2,580 sq.m. at the consideration of RMB10,335,000 (the "Parking Spaces Disposal") by Zhongyuan Hotel PM Co to Beijing Easyhome (through disposal of the parking spaces to Beijing Rui Hong Commercial Management Co., Ltd.* (北京睿鴻商業管理有限公司) (the "Project Company") upon completion of the assignment of the right of first refusal by SOG China to Beijing Easyhome (the "ROFR Assignment") and the sale of the entire equity and debt interests in the Project Company by the fund manager (on behalf of GSUM-Sino-Ocean Group No.1 Private Investment Fund* (中聯前源 — 遠洋集團一號私募投資基金) (the "Fund")) to Beijing Easyhome as designated by SOG China (the "Project Company Sale and Purchase")). The consideration for the Parking Spaces Disposal shall be payable by Beijing Easyhome to Zhongyuan Hotel PM Co within three business days from the date of fulfilment (or waiver by Beijing Easyhome in part or in full) of all of the relevant conditions precedent, which shall be settled by SOG China on behalf of Beijing Easyhome by utilising the respective amount of the earnest money paid to SOG China by Beijing Easyhome for the purpose of the transactions.

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.

Although the Project Company shall be wholly-owned by Beijing Easyhome upon completion of the ROFR Assignment and the Project Company Sale and Purchase, as at the date of the Cooperation Agreement, the Project Company was wholly-owned by the Fund, in which all the units were held by an asset-backed special scheme, and associates of Sino-Ocean Holding were holders of the subordinated class of the asset-backed securities issued under such asset-backed special scheme. Accordingly, the Project Company was considered to be an associate of Sino-Ocean Holding and thus a connected person of Sino-Ocean Service as at the date of the Cooperation Agreement, and for prudence sake, the Parking Spaces Disposal was treated as a connected transaction of the Company under Chapter 14A of the Listing Rules. The Parking Spaces Disposal had been completed during the year of 2023.

Details of the transactions (including the Parking Spaces Disposal) have been disclosed in the joint announcement of the Company and Sino-Ocean Holding dated 29 May 2023.

3. Acquisition of parking spaces and commercial properties in the PRC

On 21 July 2023, Ocean Homeplus, a wholly-owned subsidiary of the Company, and 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 Target Assets shall be classified as inventories of the Group. The Assets Acquisition had been completed during the year of 2023 and therefore the refundable deposit receivables due from the Sino-Ocean Group (for the avoidance of doubt, excluding the Group) has been settled in full.

Details of the Assets Acquisition have been disclosed in the joint announcement of the Company and Sino-Ocean Holding dated 21 July 2023 and the circular of the Company dated 25 September 2023.

4. Acquisition of parking spaces in the PRC

On 22 December 2023, Ocean Homeplus, a wholly-owned subsidiary of the Company, and Beijing Yuanxin Asset Management Co., Ltd.* (北京遠新資產管理有限公司) (“Beijing Yuanxin”, a wholly-owned subsidiary of Sino-Ocean Holding) entered into a sale and purchase agreement, pursuant to which Ocean Homeplus has conditionally agreed to acquire, and Beijing Yuanxin has conditionally agreed to sell, 196 parking spaces (collectively, the “Target Parking Spaces”) at an aggregate consideration of RMB30,262,400, which shall be payable by Ocean Homeplus to Beijing Yuanxin within three business days after all of the conditions precedent have been fulfilled (or waived, if applicable). The Target Parking Spaces are located in a grade-A office building known as Ocean Office Park (遠洋光華國際) situated at the core area of the central business district, Chaoyang District, Beijing, the PRC.

Upon completion of the above transaction, the Target Parking Spaces shall be classified as investment properties of the Group. The above transaction had been completed during the year of 2023.

Details of the above transaction have been disclosed in the announcement of the Company dated 22 December 2023.

Continuing connected transactions

During the year under review, the Group had conducted the following continuing connected transactions that were not fully exempt under Chapter 14A of the Listing Rules, details of which are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules:

Partially exempt continuing connected transactions

1. Master operational support services agreement

On 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into an agreement (the "2023–2025 Master Operational Support Services Agreement"), pursuant to which the Group shall purchase from the Sino-Ocean Connected Persons (i) certain operational support services such as engineering and construction services, decoration services, staff secondment and other supporting services and (ii) certain technology support services, including supply of information technology systems and construction and/or maintenance services of systems, to support its business operations. The 2023–2025 Master Operational Support Services Agreement has a fixed term commencing from 1 January 2023 and ending on 31 December 2025, and may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees of the operational support services payable by the Group to the Sino-Ocean Connected Persons under the 2023–2025 Master Operational Support Services Agreement shall be determined on arm's length basis with reference to (i) the cost paid by the Sino-Ocean Connected Persons to their independent suppliers and/or their labour costs based on relevant man hours; (ii) where available, the prevailing market prices charged by the Sino-Ocean Connected Persons to other customers for the same or similar services; or (iii) where available, the prevailing market prices charged by third party service providers for the same or similar services in the market. The Group will, where applicable, request the relevant Sino-Ocean Connected Person to provide the Group with the terms of contemporaneous transactions between the relevant Sino-Ocean Connected Person and its independent customers for the same or similar services, in order to ensure that the fees charged by the relevant Sino-Ocean Connected Person to the Group are fair and reasonable to the Group.

The annual caps in respect of the transactions contemplated under the 2023–2025 Master Operational Support Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Purchase amount	80,000	81,000	82,000

For the year ended 31 December 2023, the transaction amount of the above transaction was RMB36,106,972 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2023–2025 Master Operational Support Services Agreement have been disclosed in the announcement of the Company dated 11 November 2022.

2. Master properties leasing agreement

On 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into an agreement (the "2023–2025 Master Properties Leasing Agreement"), pursuant to which the Group shall rent from the Sino-Ocean Connected Persons (i) properties for self-use/operation (e.g. as office) and (ii) properties/car parking spaces for sub-leasing to its independent customers, such transactions are exempt from recognition as right-of-use assets under HKFRS 16. The 2023–2025 Master Properties Leasing Agreement has a fixed term commencing from 1 January 2023 and ending on 31 December 2025, and may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The rent payable by the Group to the Sino-Ocean Connected Persons under the 2023–2025 Master Properties Leasing Agreement shall be determined on arm's length basis with reference to (i) in respect of properties for the Group's self-use/operation, the prevailing market rent of similar properties in the vicinity; and (ii) in respect of properties/car parking spaces for sub-leasing to the Group's independent customers, the prevailing market rent of similar properties/car parking spaces in similar locations with a discount thereon to be agreed on arm's length basis by taking into account the expected costs (including, among others, labour costs, administrative costs and maintenance costs) of the Group in relation to the sub-leasing of the relevant properties/car parking spaces to its independent customers.

The annual caps in respect of the transactions contemplated under the 2023–2025 Master Properties Leasing Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Rent	42,000	42,000	42,000

For the year ended 31 December 2023, the transaction amount of the above transaction was RMB5,076,185 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2023–2025 Master Properties Leasing Agreement have been disclosed in the announcement of the Company dated 11 November 2022.

Non-exempt continuing connected transactions

3. Master property management services agreement

On 11 November 2022 and 10 January 2023, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into an agreement and a supplemental agreement (collectively, the "2023–2025 Master Property Management Services Agreement"), respectively, pursuant to which the Group shall provide property management services, such as security, cleaning, greening, gardening and repair and maintenance services, to the Sino-Ocean Connected Persons in respect of (i) property units developed for sale by the Sino-Ocean Connected Persons which have been completed and are either unsold or sold but not yet delivered to the buyers of such property units; and (ii) commercial properties (including shopping malls, office buildings and carpark spaces) owned, used or operated by the Sino-Ocean Connected Persons. The 2023–2025 Master Property Management Services Agreement has a fixed term commencing from 31 January 2023, the date of the approval by the independent Shareholders at the EGM and ending on 31 December 2025, and may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees payable by the Sino-Ocean Connected Persons to the Group under the 2023–2025 Master Property Management Services Agreement shall be determined on arm's length basis with reference to (i) the nature, size and location of the relevant properties; (ii) the scope of the property management services; (iii) the Group's expected operational costs (including, among others, labour costs, material costs and administrative costs) in relation to the provision of the property management services; and (iv) the fees charged by other property management service providers for similar services in respect of similar types of properties in the market. The fees charged by the Group to the Sino-Ocean Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favorable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of property management services.

The Group usually issues a monthly, quarterly or annually payment notice to the Sino-Ocean Connected Persons, depending on the location of the properties, for the services rendered under the 2023–2025 Master Property Management Services Agreement, and the Sino-Ocean Connected Persons shall pay the Group upon the receipt of the payment notice.

The annual caps in respect of the transactions contemplated under the 2023–2025 Master Property Management Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Services amount	365,000	435,000	540,000

For the year ended 31 December 2023, the transaction amount of the above transaction was RMB108,202,512 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2023–2025 Master Property Management Services Agreement have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023.

4. Master pre-delivery services agreement

On 11 November 2022 and 10 January 2023, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into an agreement and a supplemental agreement (collectively, the "2023–2025 Master Pre-delivery Services Agreement"), respectively, pursuant to which the Group shall provide pre-delivery services, such as on-site cleaning, security inspection, repair and maintenance, parking management and other customer related services, to the Sino-Ocean Connected Persons at their property sales venues and display units. The 2023–2025 Master Pre-delivery Services Agreement has a fixed term commencing from 31 January 2023, the date of the approval by the independent Shareholders at the EGM and ending on 31 December 2025, and may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees payable by the Sino-Ocean Connected Persons to the Group under the 2023–2025 Master Pre-delivery Services Agreement shall be determined on arm's length basis with reference to (i) the scope of the pre-delivery services; (ii) the Group's expected operational costs (including, among others, labour costs, material costs and administrative costs) in relation to the provision of the pre-delivery services; and (iii) the fees charged by other pre-delivery service providers for similar services in the market. The terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favorable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of pre-delivery services.

The Group typically issues a monthly payment notice to the Sino-Ocean Connected Persons for the services rendered under the 2023–2025 Master Pre-delivery Services Agreement, and the Sino-Ocean Connected Persons shall pay the Group within 60 days following the date of the payment notice.

The annual caps in respect of the transactions contemplated under the 2023–2025 Master Pre-delivery Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Services amount	250,000	276,000	300,000

For the year ended 31 December 2023, the transaction amount of the above transaction was RMB103,435,772 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2023–2025 Master Pre-delivery Services Agreement have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023.

5. Master consultancy and other value-added services agreement

On 11 November 2022 and 10 January 2023, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into an agreement and a supplemental agreement (collectively, the "2023–2025 Master Consultancy and Other Value-added Services Agreement"), respectively, pursuant to which the Group shall provide the Sino-Ocean Connected Persons with consultancy and other value-added services, which mainly include (i) consultancy services, such as advisory services on overall project design, planning and coordination of pre-sale activities and other specific areas including project cleaning and security; (ii) property engineering and repair and maintenance services; and (iii) property sales agency services (including the exclusive parking space sales agency services. The 2023–2025 Master Consultancy and Other Value-added Services Agreement has a fixed term commencing from 31 January 2023, the date of the approval by the independent Shareholders at the EGM and ending on 31 December 2025, and may be terminated during its term by a party by giving the other party a 30-day prior written notice.

The fees payable by the Sino-Ocean Connected Persons to the Group under the 2023–2025 Master Consultancy and Other Value-added Services Agreement shall be determined on arm's length basis with reference to (i) where applicable, the fees charged by the Group to its independent customers for the same or similar type and scope of value-added services; or (ii) where the Group has not provided the same or similar type and scope of value-added services to its independent customers, the Group's expected costs (including, among others, labour costs, material costs and administrative costs) of providing the relevant services plus a profit margin of not less than 10%. The terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favorable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of value-added services, where applicable.

The Group usually issues a monthly payment notice to the Sino-Ocean Connected Persons for the services rendered under the 2023–2025 Master Consultancy and Other Value-added Services Agreement, and the Sino-Ocean Connected Persons shall pay the Group within 60 days following the date of the payment notice.

The annual caps in respect of the transactions contemplated under the 2023–2025 Master Consultancy and Other Value-added Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
Services amount	592,000	682,000	813,000

For the year ended 31 December 2023, the transaction amount of the above transaction was RMB130,141,725 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2023–2025 Master Consultancy and Other Value-added Services Agreement have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023.

6. Master commercial operational services agreement

On 14 June 2021, the Company (on behalf of each member of the Group) entered into the master commercial operational services agreement (the "Master Commercial Operational Services Agreement") with Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person), pursuant to which the Company (on behalf of each member of the Group) has agreed to provide commercial operational services to the Sino-Ocean Connected Persons for their commercial properties (including shopping malls and office buildings). The commercial operational services provided by the Group to the Sino-Ocean Connected Persons included (i) pre-opening management services (such as positioning and design management services, and tenant sourcing and management services); and (ii) operation management services (such as opening preparation services, business plan management services, tenant coaching services, consumer management services and marketing services). The Master Commercial Operational Services Agreement took effect from 6 August 2021 and had expired on 31 December 2023.

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

Unless otherwise agreed between the parties, the fees payable for the services provided under the Master Commercial Operational Services Agreement must be settled in RMB. The detailed payment terms were agreed between the relevant member of the Group and the relevant Sino-Ocean Connected Person in the specific agreements on the principles of fairness and reasonableness. Generally, in line with market practice and the arrangements with independent customers of the Group on the principles of fairness and reasonableness, the Group issued bill to the relevant Sino-Ocean Connected Person on a regular basis, either quarterly or annually depending on the types of service fees, with a credit term of up to one month.

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

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

For the year ended 31 December 2023, the transaction amount of the above transaction was RMB9,919,913 which did not exceed its annual cap.

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

7. Exclusive parking space sales agency services framework agreement

On 14 October 2022 and 10 January 2023, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into an agreement and a supplemental agreement (collectively, the "2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement"), respectively, pursuant to which Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) has agreed to grant the exclusive sales rights to the Group and the Company (on behalf of each member of the Group) has agreed to provide exclusive sales agency services with respect to the target parking spaces to the Sino-Ocean Connected Persons. The 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement has a fixed term commencing from 31 January 2023, the date of the approval by the independent Shareholders at the EGM and ending on 31 December 2025.

Pursuant to the 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement, to obtain the exclusive sales rights in respect of the target parking spaces, the Group shall from time to time pay the Sino-Ocean Connected Persons fully refundable deposits according to the payment schedule to be determined and agreed between the Group and the relevant Sino-Ocean Connected Persons under specific agreements, and the Group shall charge the difference between (i) the actual sales price to be paid by a third party purchaser and (ii) the corresponding base price for the relevant target parking space as fees for providing exclusive sales agency services with respect to the relevant target parking space. The amount of deposit payable for the obtaining of the exclusive sales right in respect of a target parking space shall not exceed 50% of the base price thereof. The base price in respect of a target parking space (being the minimum price for the sale of such target parking space to be agreed by the Group and the relevant Sino-Ocean Connected Person) shall be determined after arm's length negotiation by the parties taking into consideration factors including but not limited to the average price of comparable parking spaces in the surrounding markets of such target parking space, and the location, occupancy rate, parking space ratio and sale progress of the relevant project, and the base price in respect of a target parking space shall not exceed 80% of the average price (determined with reference to the recent historical transaction prices, and/or the quoted selling prices (obtained through public websites such as Anjuke (安居客), Lianjia (鏈家) and 58 Tongcheng (58同城)) of at least three parking spaces) of comparable parking spaces in the surrounding markets (being parking spaces situated in surrounding areas of similar levels of commercial prosperity, residential project positioning, per capita income, traffic conditions and infrastructure (where applicable)) thereof.

The annual cap in respect of the balance of deposits to be paid under the 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement at any time during each of the three years ending 31 December 2025 is as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Deposits	450,000	450,000	450,000

As at 31 December 2023, the balance of deposits paid under the above transaction was RMB442,886,362. The balance of paid deposits did not exceed its annual cap at any time during the year ended 31 December 2023.

The provision of sales agency services under the 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement shall form part of the continuing connected transactions pursuant to the 2023–2025 Master Consultancy and Other Value-added Services Agreement, and the sales agency service fees payable by the Sino-Ocean Connected Persons to the Group shall be subject to the relevant annual caps thereunder as disclosed above.

Details of the continuing connected transactions contemplated under the 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement have been disclosed in the announcement of the Company dated 14 October 2022 and the circular of the Company dated 13 January 2023.

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

In accordance with Rule 14A.56 of the Listing Rules, the auditors of the Company have provided a letter to the Board, confirming that, with respect to the above continuing connected transactions conducted during the year:

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

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

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

(4) nothing has come to their attention that causes them to believe that the transactions have exceeded the relevant annual cap for the year ended 31 December 2023.

Related party transactions

A summary of significant related party transactions entered into by the Group during the year under review is contained in note 36 to the consolidated financial statements of this annual report. Save as disclosed above, none of the related party transactions described in the aforementioned note falls within the definition of “connected transaction” or “continuing connected transaction” under Chapter 14A of the Listing Rules and is subject to reporting requirement during the year under review.

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

CHANGE IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of the Director(s) subsequent to 8 September 2023 (being the latest practicable date prior to the issue of the interim report of the Company for the six months ended 30 June 2023) and up to the Latest Practicable Date required to be disclosed is set out below:

- Mr. CUI Hongjie, a Non-executive Director, was appointed as a member of the strategic and investment committee of Sino-Ocean Holding with effect from 29 March 2024.

SUFFICIENT PUBLIC FLOAT

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

AUDITORS

At the request of the Board, PricewaterhouseCoopers ("PwC") resigned as the auditor of the Company for the year ended 31 December 2022 with effect from 2 December 2022. At the recommendation of the Audit Committee, the Board appointed Fan, Chan & Co. Limited as the new auditor of the Company to fill the casual vacancy following the resignation of PwC with effect from 2 December 2022. Details of the aforementioned change of auditor of the Company have been disclosed in the announcement of the Company dated 2 December 2022.

At the request of the Board, Fan, Chan & Co. Limited resigned as the auditor of the Company for the year ended 31 December 2023 with effect from 15 June 2023. At the recommendation of the Audit Committee, the Board appointed BDO Limited as the new auditor of the Company to fill the casual vacancy following the resignation of Fan, Chan & Co. Limited with effect from 15 June 2023 and to hold office until the next following AGM. Details of the aforementioned change of auditor of the Company have been disclosed in the announcement of the Company dated 15 June 2023.

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by BDO Limited, whose term of office will expire upon the conclusion of the forthcoming AGM. Ordinary resolution for re-appointment of BDO Limited as the auditor of the Company and fixing its remuneration will be proposed at the forthcoming AGM for the Shareholders' approval.

PRE-EMPTIVE RIGHTS

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

CONSULTING PROFESSIONAL TAX ADVISERS

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

By order of the Board

YANG Deyong

Joint Chairman

Hong Kong, 26 March 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company.

COMMITMENT TO CORPORATE GOVERNANCE

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.

Corporate culture

Corporate culture underpins the core competitiveness for a company's sustainable development and the conceptual foundation with which it wins the support of the public. The Board is responsible for formulating the Company's objectives, values and strategies and ensuring these align with its corporate culture. The Company upholds a corporate culture founded on the bedrock of probity and compliance, in adherence to which it maintains high standards in corporate governance and enhances the organisation values of acting lawfully, ethically and responsibly on an ongoing basis. It is also committed to becoming a people-centric enterprise with an emphasis on fostering a positive cultural ambience. At the same time, the Board and the Nomination Committee take into full consideration the backgrounds of candidates when selecting them for appointment to the Board, while various systems have been established in connection with the Directors and the management, such as rules governing conflict of interests, to ensure impartiality and integrity of the Directors in their conduct of business, such that they could lead by example in promoting the desired culture. To ensure the propagation of the corporate culture across the Group at all levels and consistent reflection of such culture in the conduct of its business, Sino-Ocean Service has continued to improve its corporate culture development and management system, including comprehensive systems for work advancement, inspection and appraisal and reward and punishment, in order to ensure genuine implementation of key tasks in corporate culture building in compliance with relevant rules and regulations and in a purposeful manner. Meanwhile, the Company has been engaged in different approaches to promote its corporate culture, such as the "Ocean Light Moment" sessions, during which stories of inspirational deeds by exemplary personalities happening around us were shared to enhance the concept of "positive examples", so as to enhance staff understanding and cultivation of proper moral values and generate a rigorous spiritual force underpinning the Company's development. We have also enhanced commendation of the outstanding and education on the exemplary to foster a positive spiritual atmosphere. We have been actively engaged in the Red Property initiative, whereby all Party sub-branches have organized Red cultural activities under the leadership of Party members in close adherence to the Party's guidance, enabling all employees to improve their professional standards and consistently explore and enhance the quality of their property services to provide services exceeding customers' expectations. Such measures have not only enhanced the unity and solidarity of staff, but have also advanced the cultural building and development of the Company and have facilitated the implementation of corporate strategies.

Corporate objectives and strategies

The Company's objectives, values and strategies are complementary to and in alignment with its corporate culture. Sino-Ocean Service formulates sustainable and qualitative development policies and strategies with the objective of fostering long-term sustainable growth for Shareholders and long-term value for stakeholders. The brand vision of Sino-Ocean Service is to be an "asset value and quality life maker" that safeguards value appreciation and value protection for various businesses on the back of its experience with mid- to high-end properties. To fulfil this long-term vision, Sino-Ocean Service focused on its principal servicing business as it persists in its initial commitment and mission of "serving customers with an artisan's spirit" to create quality life for property owners and customers through refined and satisfactory services, in a bid to become a branded superior integrated property management service provider in China and a developer of the upstream and downstream businesses in property management. In line with our service philosophy of "being understanding and innovative", we seek to understand customers' need in an in-depth manner and provide attentive, thoughtful services to foster heartwarming and trustworthy customer relations. In the meantime, we monitor developments relating to the latest technologies and upgrade our technologies on an ongoing basis to identify evolving customer needs in a dynamic manner and provide supreme servicing experience to deliver maximum value in customer service. Service is action rather than just mere promise. The actions of Sino-Ocean Service always begin with customers' needs and end only with customers' satisfaction, as we put ourselves in customers' shoes and fulfil customers' urgent needs with urgency. We shift from the consumer's perspective to one of a user, as users must first become old customers before they could only bring in any new ones. For a discussion and analysis of the Group's performance for the year and further details on the bases on which the Group generates long-term value and realizes its objectives, please refer to the Chairman's Statement and the section headed "BUSINESS REVIEW" under the Management Discussion and Analysis of this annual report. The Group incorporates the sustainability concept into its long-term development strategy and day-to-day operations and management to fortify the developmental foundation of compliant operations, while persisting in green operations as it consistently enhances its ability in low-carbon operation in active fulfilment of its social responsibility. For further details of the Group's sustainability practices and how they relate to its stakeholders, please refer to the Sustainability Report of this annual report and the 2023 ESG Report.

Corporate governance practices

In the opinion of the Board, the Company had applied the principles of the CG Code to its corporate governance structure and practices as described in this report and complied with all the applicable code provisions of the CG Code throughout the year ended 31 December 2023, except for the deviations 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-chairmen structure, and believes that this structure is in the best interest of the Company. The Board will review the current structure from time to time and will make any necessary arrangement as appropriate.

Corporate governance structure

The Board has established a governance structure by setting up three Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee to perform the functions of the Board.

Board

Major duties:

- convene general meetings
- implement the resolutions passed at the general meetings
- determine business and investment plans
- formulate annual financial budget and financial statements
- formulate proposals for dividend distributions as well as exercise other powers, functions and duties as conferred by the Articles

Audit Committee

Major duties:

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

Nomination Committee

Major duties:

- make recommendations to the Board on the appointment, re-appointment and removal of the Directors and senior management of the Company
- review the structure, size, composition and diversity of the Board and the Board diversity policy and make recommendations

Remuneration Committee

Major duties:

- establish and review the policy and structure of the remuneration for the Directors and senior management of the Company
- make recommendations to the Board on remuneration packages of the Executive Directors and senior management of the Company
- make recommendations to the Board on the remuneration of the Non-executive Directors

Directors' and relevant employees' securities transactions

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 year ended 31 December 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.

THE BOARD

Responsibilities

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

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

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

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

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

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

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

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

- annual budget, management results and performance update against annual budget, together with business reports from the management;
- interim results announcement and interim report for the six months ended 30 June 2023;
- final results announcement and annual report (including the corporate governance report) for the year ended 31 December 2022;
- recommendation of payment of final dividend for the year ended 31 December 2022;

- ESG report for the year ended 31 December 2022;
- corporate governance matters, including review and adoption of the internal control policies and measures of the Company;
- revised terms of reference of the Remuneration Committee;
- change of auditors of the Company; and
- notifiable transactions, connected transactions and continuing connected transactions and compliance with the relevant requirements under the Listing Rules applicable to the transactions.

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

Board composition

As at the Latest Practicable Date, the Board comprised seven Directors, including two Executive Directors, Mr. YANG Deyong (Joint Chairman) and Ms. ZHU Geying; two Non-executive Directors, Mr. CUI Hongjie (Joint Chairman) and Mr. ZHU Xiaoxing; and three Independent Non-executive Directors, Dr. GUO Jie, Mr. HO Chi Kin Sammy and Mr. LEUNG Wai Hung. An updated list of the Directors and their role and function is published on the websites of the Company (www.sinooceanservice.com) and the Stock Exchange (www.hkexnews.hk). Composition of the Board is also disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to the Shareholders.

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

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

(i) Joint Chairmen and Chief Executive Officer

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

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

The functions of the Non-executive Directors and the Independent Non-executive Directors should include:

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

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

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

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

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

The Company has received annual confirmations from all the Independent Non-executive Directors, namely Dr. GUO Jie, Mr. HO Chi Kin Sammy and Mr. LEUNG Wai Hung, in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed and considered that all the Independent Non-executive Directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgements.

Each of Mr. CUI Hongjie and Mr. ZHU Xiaoxing, both of whom are the Non-executive Directors, has agreed to waive the Director's fees for the year ended 31 December 2023.

Mechanisms for ensuring independent views and input

The Board recognised that board independence is critical to good corporate governance and its effectiveness. The Company has established mechanisms to ensure independent views and input are available to the Board. The implementation and effectiveness of such mechanisms is reviewed annually by the Board through the Nomination Committee:

- three out of the seven Directors are Independent Non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three Independent Non-executive Directors and must appoint Independent Non-executive Directors representing at least one-third of the Board;
- majority members of the Board Committees are Independent Non-executive Directors;
- the Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new Independent Non-executive Director before appointment and assess the independence of the Independent Non-executive Directors and their time commitments annually;
- no equity-based remuneration with performance-related elements will be granted to the Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence;
- all Directors are encouraged to express freely their independent views and constructive challenges during the Board/ Board Committee meetings;
- a Director (including an Independent Non-executive Director) who has a material interest in a matter shall not vote or be counted in the quorum on any Board resolution approving the same;
- the Independent Non-executive Directors (as well as other Directors) shall be provided with regular updates giving a balanced and understandable assessment of the Group's performance, position and prospects and also supplied with adequate information to enable them to make informed decision. The Independent Non-executive Directors (as well as other Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at Board and/or Board Committee meetings, and upon reasonable request by individual Directors, external independent professional advice in appropriate circumstances is available, at the Company's expense;
- all Directors have full and timely access to advice from the Company Secretary; and
- the Joint Chairmen meet with the Independent Non-executive Directors annually without the presence of other Directors.

Appointment and re-election of Directors

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

Pursuant to the letters of appointment, all Non-executive Directors and Independent Non-executive Directors are appointed for a term of one year, which is renewable and subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

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

Meetings

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

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

Directors	Number of meetings attended/eligible to attend		
	Board meeting	AGM	EGM
Mr. YANG Deyong	8/8	1/1	3/3
Ms. ZHU Geying	8/8	1/1	3/3
Mr. CUI Hongjie	7/8	1/1	3/3
Mr. ZHU Xiaoxing	8/8	1/1	3/3
Dr. GUO Jie	8/8	0/1	0/3
Mr. HO Chi Kin Sammy	8/8	1/1	3/3
Mr. LEUNG Wai Hung	8/8	1/1	3/3

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For regular Board Committee meetings, at least 7-day notice is given. For other Board meetings and other Board Committee meetings, reasonable notice is generally given.

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

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

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

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

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

Training for Directors

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

There are also arrangements in place for providing continuing briefing and professional development to the Directors, whenever necessary, in order to ensure that they have a proper understanding of the Company's operations and business. To assist their continuous professional development, the Company Secretary recommends relevant seminars and courses for the Directors to attend from time to time. During the year under review, the Company has organized a training to the Directors related to the disclosure requirements in respect of notifiable and connected transactions under the Listing Rules and highlights of recently updated Listing Rules in respect of Directors' responsibilities and the latest ESG developments.

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

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

Directors	Type of trainings
Mr. YANG Deyong	A/C
Ms. ZHU Geying	A/C
Mr. CUI Hongjie	A/B/C
Mr. ZHU Xiaoxing	A/C
Dr. GUO Jie	A/C
Mr. HO Chi Kin Sammy	A/C
Mr. LEUNG Wai Hung	A/B/C

Remarks:

A: training(s) organized by the Company

B: attending seminars, conferences and/or forums

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

Directors' and officers' liability insurance and indemnity

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

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

BOARD COMMITTEES

The Board has set up three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. All resolutions passed by the Board Committees will be reported to the Board.

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

	Number of meetings attended/eligible to attend		
Directors	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**
Mr. YANG Deyong	N/A	1/1	1/1
Mr. CUI Hongjie	4/5	N/A	1/1
Mr. ZHU Xiaoxing	5/5	N/A	N/A
Dr. GUO Jie	4/5	1/1	1/1
Mr. HO Chi Kin Sammy	5/5	1/1	1/1
Mr. LEUNG Wai Hung	5/5	N/A	1/1

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, including but not limited to, review and supervise the financial reporting process and risk management and internal control systems of the Group, review the Group's financial information, consider the appointment, independence and remuneration of the auditors and any matters related to the removal and resignation of the auditors, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee held five meetings during the year under review. The Executive Directors, senior management and/or the external auditors of the Company were invited to join the discussions at the meetings, as the case may be.

The tasks performed by the Audit Committee during the year under review included but not limited to:

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

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

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

(iv) discussion with the external auditors on, including but not limited to, the financial position of the Group, the audit opinion, internal control system, financial risks and the significant matters which might have an impact on the consolidated financial statements;

(v) review of the overall financial position of the Group;

(vi) review and discussion of the nature and extent of significant risks (including ESG risks) of the Group and assessment of the control of the risks;

(vii) review of the adequacy and effectiveness of the risk management and internal control systems including review of accounting, financial reporting, internal audit functions, as well as those relating to the ESG performance and reporting and then giving of recommendation to the Board for any enhancement;

(viii) review with the management of the Company the accounting policies and practices adopted by the Group;

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

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

(xi) consideration of the resignation and appointment of external auditors and recommendation to the Board for approval;

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

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

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. The Remuneration Committee may consult with 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. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held one meeting during the year under review. The tasks performed by the Remuneration Committee during the year under review included but not limited to:

(i) review and approval of the report of the labour cost of the senior management of the Company for the year ended 31 December 2022 and the budget of the overall cost for the year ended 31 December 2023;

(ii) assessment of the performance of the Executive Directors and senior management of the Company;

(iii) review of the remuneration policy of the Directors and senior management of the Company;

(vi) review and recommendation of the adoption of revised terms of reference of the Remuneration Committee; and

(v) recommendation to the Board on the remuneration packages of the Executive Directors and senior management of the Company and the Director's fees of the Non-executive Directors and the Independent Non-executive Directors for the year ended 31 December 2023, where necessary.

No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the year under review.

The remuneration of Directors is determined with reference to a number of factors, including but not limited to, their experience, qualifications, duties and responsibilities involved in the Company and the prevailing market conditions. Details of emoluments of Directors for the year under review are set out in note 38 to the consolidated financial statements of this annual report. The emoluments paid to senior management of the Company during the year under review were within the following band:

	Number of senior management
Above RMB1 million and below or equal to RMB2 million	4

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 structure, size, composition and diversity of the Board and the Board diversity policy (the "Board Diversity Policy") and make recommendations to the Board. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting during the year under review. The tasks performed by the Nomination Committee during the year under review included but not limited to:

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

(ii) assessment of the independence of the Independent Non-executive Directors;

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

(iv) review of the Board Diversity Policy.

Summary of nomination policy under Nomination Committee

The purpose of the nomination policy of the Company is to set out the selection criteria and procedure for the selection, appointment and re-appointment of Directors so as to ensure the Board has a balance of skills, experience and diversity of perspectives relevant to the Group's business, strategy and objectives. In assessing the suitability of a proposed candidate, the factors which would be used as reference by the Nomination Committee include but not limited to the following:

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

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

Summary of Board Diversity Policy under Nomination Committee

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

An analysis of the Board composition as of 31 December 2023 is set out in the following chart:

No. of Directors	1	2	3	4	5	6	7
Gender	Female	Male					
Category	Executive Directors		Non-executive Directors		Independent Non-executive Directors		
Age Group	Below 50		50 or above and below 60				
Length of Service	Below 5 years						
Location	Hong Kong		PRC				
Skill, Knowledge and Experience	• Experience in property development, construction management, property management and property investment • Corporate strategies and risk management • Capital market, investment management, asset management and finance • Legal and compliance				• Accounting and financial management • Education • Economics • Listed company corporate governance		

The Board is characterised by significant diversity and independence:

- all of the Directors having served the Board for less than 5 years
- the Board is reasonably diverse in terms of geographical area, with five Directors based in the PRC (where the Group's business and operations are situated in) and two Directors based in Hong Kong (where the Stock Exchange which the Company's Shares are listed on is situated in)
- female Director represents 14% of the Board members
- Executive Directors represent only 29% of the Board members
- Independent Non-executive Directors represent 43% of the Board members
- diverse mix of expertise in different areas such as property industry experience, finance and accounting profession

The Nomination Committee reviews annually on the composition of the Board under diversified perspectives according to the Board Diversity Policy, and monitor the implementation of the Board Diversity Policy to ensure its effectiveness. The Board is satisfied that the current level of diversity of the Board is appropriate to the requirements of the Group's business model and specific needs and the Board Diversity Policy is consistently implemented. It is therefore not necessary to set any target or timeline for enhancing gender diversity on the Board for the time being. The Board targets to maintain at least the current level of female Director representation and as part of the succession planning, the Board will continue to seek opportunities to increase the female Director representation over time as and when suitable candidates are identified.

Gender diversity of workforce

The Group takes steps to promote gender diversity at all levels of its workforce. Equal opportunities for employment, training and career development are opened to all eligible employees regardless of gender. The Group promotes personal well-being and supports employees to balance work and home-life commitments. As at 31 December 2023, the gender diversity details of employees of the Group (excluding the Directors) are set out as follows:

	Male		Female	
Employee category	Number of persons	Percentage of employee category	Number of persons	Percentage of employee category
Senior management	4	100%	—	—
Middle management	73	64%	41	36%
Non-management personnel	5,091	57%	3,872	43%
All levels	5,168	57%	3,913	43%

As at 31 December 2023, among all employees of the Group (including senior management of the Company), 57% were male and 43% were female. The Board considers that the gender diversity in workforce is currently balanced taking in account the Group's business model and specific needs, and targets to maintain the current level of gender diversity in its workforce, with the ultimate goal of achieving gender parity. Nevertheless, the Group is committed to increase the proportion of female member in the senior management of the Company yet having the flexibility for the best candidate to be considered regardless of gender.

COMPANY SECRETARY

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

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

ACCOUNTABILITY AND AUDIT

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

The statement of the independent auditor of the Company about its reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2023 is set out in the Independent Auditor’s Report on pages 97 to 102 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Duties of the Board and the management

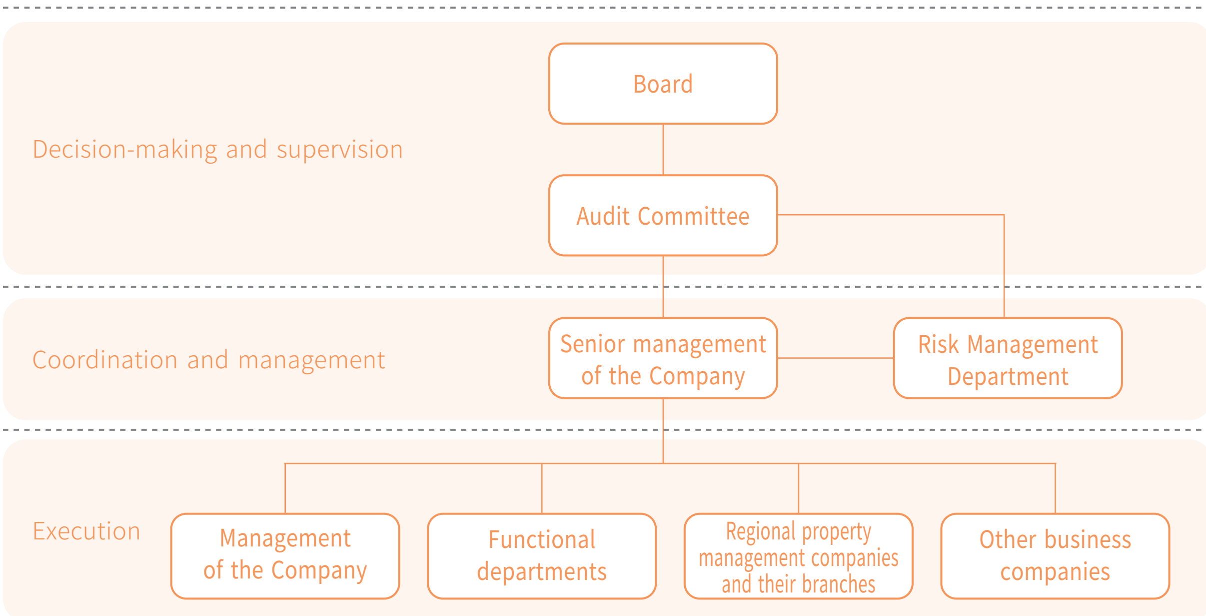
The Board reviews the Group’s risk management and internal control systems annually which covers, among other things, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting, internal audit and financial reporting functions as well as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

Risk management

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

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

Organisational structure of risk management



Risk management process

Risk identification

potential risks associated with policy changes and changes in the environment that might affect the achievement of the Company's goals and its business operation are identified and managed on a differentiated basis according to different risk characteristics by corresponding management personnel or relevant positions. Each year, relevant risk information of the units is submitted to the Risk Management Department, which establishes a risk order list at the Company level with constant improvements after due screening and classification, whereby material risks are managed with heightened efforts.

Risk assessment

systematic analysis of risks in operating activities relating to internal control goals are conducted and major risk events affecting the accomplishment of goals are assessed and prioritised. Risk assessment work at the Company level is conducted by the units under the organisation of the Risk Management Department. The economic and non-economic losses of the Company that might result from such risks as a whole are considered and reports on risk assessment outcomes are prepared accordingly.

Risk response

based on the nature of risk events and the Company's ability to endure such risk events, risk response plans and measures and action plans for risk mitigation are formulated and implemented, while analysis of plan execution is conducted on a regular basis. Specific action plans for risk mitigation are formulated by each specialised lines according to the risk assessment outcomes, which will be submitted to the Risk Management Department for consolidation, aggregation and finetuning after approval by the Company's management.

Dynamic supervision of risk management

new material risk events and changes in the operating environment in the course of business development are identified on an ongoing basis and response strategies and measure are formulated based on actual conditions, while the progress of risk events is monitored in a continuous and dynamic manner and reported to the Risk Management Department in a timely manner.

Improvement of risk management work

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

Through the establishment of the management organisational structure and 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 is 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. During the year under review, the Audit Committee and the Board had reviewed and adopted the policies and measures in relation to the investment protocols of potential transactions to strengthen the internal control system. In particular, the approval procedures in respect of potential transactions have been formalised and a clear delineation of roles for different departments in respect of any potential transactions has been established. In view of the above, the Board, through the Audit Committee and the Risk Management Department, conducted the review of the risk management and internal control systems of the Group for the year ended 31 December 2023 and considered them remain effective and adequate. The Board, through the Audit Committee and the Risk Management Department, will also review the risk management and internal control systems of the Group on a continuous basis.

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 for 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 at 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 promoting an open, transparent, sharing and responsible corporate culture and therefore has adopted "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 encouraging whistleblowers (including employees, suppliers, customers and business partners) to report the infractions of Directors, management and employees of the Company 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 part 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 shall 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 organizes the employees to carry out compliance and integrity training every year to enhance the integrity awareness across the organisation. The compliance and integrity trainings are given to Directors, senior management and staff of the Company. During the year, the Group held a total of 34 anti-corruption and anti-bribery training sessions.

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 regularly. 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.

INDEPENDENT AUDITOR

At the request of the Board, Fan, Chan & Co. Limited resigned as the auditor of the Company for the year ended 31 December 2023 with effect from 15 June 2023. At the recommendation of the Audit Committee, the Board appointed BDO Limited as the new auditor of the Company to fill the casual vacancy following the resignation of Fan, Chan & Co. Limited with effect from 15 June 2023 and to hold office until the next following AGM. BDO Limited is responsible for auditing and forming an independent opinion on the Group's consolidated financial statements for the year ended 31 December 2023.

Details of the remunerations paid/payable for the audit and non-audit services provided by the auditors to the Group for the year ended 31 December 2023 are set out in the table below:

Services rendered	RMB'000
Audit services:	
— Annual audit	2,830
Non-audit services:	
— Review of interim financial information	950
— Other services	800

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's amended and restated memorandum and articles of association during the year ended 31 December 2023.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

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

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

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

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

Pursuant to the Articles, (i) the Board may whenever it thinks fit call EGMs; if at any time there are not sufficient Directors capable of acting to form a quorum, any one Director or any two or more Shareholder(s) representing at least ten per cent. (10%) of the total voting rights of all Shareholders having a right to vote at general meetings may convene an EGM in the same manner as nearly as possible as that in which meetings may be convened by the Directors, and (ii) any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business or resolutions specified in such requisition or to add any resolutions specified in such requisition to a meeting agenda; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. All requisitions shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Board or the Company Secretary.

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

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

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

During the year under review, an AGM was held on 30 May 2023 and three EGMs were held on 31 January 2023 and 11 October 2023 respectively at which the Directors (including the Joint Chairmen and chairman of the Board Committees), senior management of the Company, external auditors and/or external advisers made efforts to attend either in person or by means of electronic facilities to communicate with the Shareholders and to address their queries. In addition, all corporate communications and regulatory announcements were published by the Company on the websites of the Stock Exchange and the Company in a timely manner. The Company has also maintained communication with analysts and investors through results announcement press conferences, the official WeChat public account of Sino-Ocean Service and roadshows. Efficient communication between the management and investors was arranged with positive feedback from all parties. The Board has reviewed the Shareholders' Communication Policy and in view of the above steps taken to communicate with the Shareholders, considered that it has been implemented effectively during the year.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Sino-Ocean Service Holding Limited ("the Company") and its subsidiaries (together the "Group") set out on pages 103 to 173, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Loss allowances assessment of trade and note receivables

Refer to Note 5(a) "Critical accounting estimates and judgements" and Note 23 "Trade and note receivables" to the consolidated financial statements.

As at 31 December 2023, the gross amount of trade and note receivables of the Group amounted to approximately RMB1,605 million. Management has assessed the expected credit losses ("ECLs") of trade and note receivables and recognised provision for loss allowance of approximately RMB482 million on these trade and note receivables as of 31 December 2023. The net carrying amount of trade and note receivables represented approximately 28% of the total assets of the Group.

Provision for loss allowance of trade and note receivables was made based on an assessment of the lifetime expected credit losses, including an assessment of the risk of default and the expected loss rate. In performing the assessment, management considered the credit quality of debtors by considering their historical observed default rates, financial position, ageing profile of receivable balances, and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period.

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

How our audit addressed the key audit matter

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

- Understanding the key controls on how the loss allowance for trade and note receivables is estimated by the management;
- Reviewing and assessing the application of the Group's policy for calculating ECLs to consider consistency of application;
- Evaluating techniques and methodologies in ECLs model against the requirements of HKFRS 9;
- Assessing the reasonableness of ECLs estimates from checking the information used by the management to make the judgements, which comprises testing the accuracy of the history of default, evaluating the current economic conditions and forward-looking information specific to the customers used in determining estimated loss rates, and considering subsequent settlements and the latest information subsequent to the year end date for any adjustments to default rate required;
- Evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation experts;
- Selecting samples from the aging analysis to consider appropriateness of classification of trade receivables to ensure proper determination of trade and note receivables with significant increase in credit risks by checking to the settlement records, and discussing with the management customers' current ability of settlement, any available information for assessing the creditability of the customers and the current economic environment in which the customers operate; and
- Checking the mathematical accuracy of the ECLs.

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

Loss allowances assessment of other receivables

Refer to Note 5(b) "Critical accounting estimates and judgements" and Note 25 "Prepayments and other receivables" to the consolidated financial statements.

As at 31 December 2023, the gross amount of other receivables of the Group amounted to approximately RMB623 million. Management has assessed the ECLs of other receivables and recognised provision for loss allowance of approximately RMB160 million on these other receivables as of 31 December 2023. The net carrying amount of other receivables represented approximately 11% of the total assets of the Group.

The assessment of impairment of other receivables measured at amortised cost under the expected credit loss model is considered to be a key audit matter as it requires the application of judgement to reflect information about past events, current conditions and forecasts of future conditions, and use of subjective assumptions by the management.

The ECLs were assessed by the management with reference to valuations performed by an independent valuer engaged by the Group and other information of the assets.

How our audit addressed the key audit matter

We have performed the following procedures to address this key audit matter in relation to other receivables of the Group:

- Understanding the key controls on how the impairment assessment of financial assets at amortised cost is estimated by the management;
- Reviewing and assessing the application of the Group's policy for calculating ECLs to consider consistency of application;
- Evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation experts;
- Valuating techniques and methodologies in ECLs model against the requirements of HKFRS 9;
- Assessing the reasonableness of the basis and judgement of the management in determining credit loss allowance on other receivables;
- Testing the key data sources applied in the ECLs computation on a sample basis by checking to the supporting information and external data sources, as applicable; and
- Checking the mathematical accuracy of the ECLs.

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

Impairment assessment of property management contracts and customer relationships, and goodwill

Refer to Note 5(c) "Critical accounting estimates and judgements" and Note 19 "Intangible assets" to the consolidated financial statements.

As at 31 December 2023, the Group has recognised property management contracts and customer relationships of approximately RMB214 million and goodwill of approximately RMB456 million as arisen from the Group's acquisitions of property management subsidiaries (the "Subsidiaries").

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

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

How our audit addressed the key audit matter

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

- Understanding the Group's impairment assessment process, including the impairment model, basis of allocation of goodwill to CGUs, the preparation of the cash flow projections ("Cashflow Forecasts") and key management assumptions adopted in these Cashflow Forecasts through enquiries with the management;
- Evaluated the competency, capabilities and objectivity of the independent external valuer by checking the valuer's related qualification and credentials in similar impairment assessment projects;
- Evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation experts;
- Challenging the appropriateness of the key assumptions adopted by the management in the Cashflow Forecasts, such as the budgeted gross margin and forecast growth rates, and discount rates applied and comparing them with available market data and our knowledge of the current market development in the PRC; and
- Comparing the historical cash flows forecast against the performance of CGUs to test the accuracy of management's projections.

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed a qualified opinion on those statements on 31 March 2023.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regards.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Ho Yee Man
Practising Certificate Number: P07395
Hong Kong, 26 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000 (Restated)
Revenue	7	**3,133,209**	3,330,136
Cost of sales and services	7,10	**(2,535,470)**	(2,557,451)
Gross profit		**597,739**	772,685
Selling and marketing expenses	10	**(22,351)**	(22,073)
Administrative expenses	10	**(272,909)**	(224,437)
Net impairment losses on goodwill		**(6,622)**	—
Net impairment losses on investment properties		**(6,504)**	—
Net impairment losses on financial assets		**(260,041)**	(483,060)
Other income	8	**29,704**	29,492
Other gains/(losses)	9	**14,207**	(4,237)
Operating profit		**73,223**	68,370
Finance costs	12	**(762)**	(1,727)
Share of results in joint ventures	14	**(8,767)**	39,692
Profit before income tax		**63,694**	106,335
Income tax expense	15	**(23,693)**	(27,213)
Profit and total comprehensive income for the year		**40,001**	79,122
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**42,148**	75,745
Non-controlling interests		**(2,147)**	3,377
		40,001	79,122
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (expressed in RMB per share)	16	**0.036**	0.064

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Assets				
Non-current assets				
Investment properties	17	**61,532**	106,269	—
Property, plant and equipment	18	**104,732**	112,166	23,042
Intangible assets	19	**698,976**	731,649	164,263
Right-of-use assets	20	**10,906**	24,692	24,056
Investments in joint ventures	14	**50,592**	59,359	150,671
Deferred income tax assets	31	**134,967**	91,199	19,735
		1,061,705	1,125,334	381,767
Current assets				
Inventories	22	**651,355**	249,483	176,209
Trade and note receivables	23	**1,123,025**	1,170,746	650,764
Contract assets	24	**17,413**	20,353	15,837
Prepayments and other receivables	25	**525,020**	1,183,019	275,894
Restricted bank deposits	26	**9,120**	471	541
Cash and cash equivalents	26	**651,542**	472,540	2,526,828
		2,977,475	3,096,612	3,646,073
Asset held for sale	14	**—**	38,441	—
		2,977,475	3,135,053	3,646,073
Total assets		**4,039,180**	4,260,387	4,027,840
Equity				
Share capital	27	**99,829**	99,829	99,829
Reserves		**1,217,071**	1,417,180	1,688,320
Retained earnings		**782,297**	740,149	664,404
Equity attributable to owners of the Company		**2,099,197**	2,257,158	2,452,553
Non-controlling interests		**46,513**	51,100	31,845
Total equity		**2,145,710**	2,308,258	2,484,398

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Liabilities				
Non-current liabilities				
Trade and other payables	30	**15,297**	15,805	29,233
Lease liabilities	20	**2,206**	13,392	13,138
Deferred income tax liabilities	31	**52,912**	62,859	18,015
		70,415	92,056	60,386
Current liabilities				
Trade and other payables	30	**1,259,766**	1,347,082	1,034,454
Contract liabilities	7	**518,064**	457,825	396,242
Lease liabilities	20	**5,460**	3,289	8,000
Current tax liabilities		**39,765**	51,877	44,360
		1,823,055	1,860,073	1,483,056
Total liabilities		**1,893,470**	1,952,129	1,543,442
Total equity and liabilities		**4,039,180**	4,260,387	4,027,840

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

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2024 and was signed on its behalf by:

Yang Deyong
Executive Director

Zhu Geying
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Note	Attributable to owners of the company						
		Share capital (Note 27) RMB'000	Statutory reserves (Note 28) RMB'000	Other reserve (Note 29) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2022 (Restated)		99,829	13,108	1,675,212	664,404	2,452,553	31,845	2,484,398
Comprehensive income								
Profit for the year		—	—	—	75,745	75,745	3,377	79,122
Transactions with owners in their capacity as owners								
Acquisition of additional interest in a subsidiary		—	—	(4)	—	(4)	4	—
Non-controlling interests on acquisition of subsidiaries		—	—	—	—	—	16,718	16,718
Dividends declared and paid during the year	32	—	—	(271,136)	—	(271,136)	—	(271,136)
Distribution relating to non-controlling interests		—	—	—	—	—	(844)	(844)
Balance as at 31 December 2022 (Restated)		99,829	13,108	1,404,072	740,149	2,257,158	51,100	2,308,258

	Note	**Attributable to owners of the company**						
		Share capital (Note 27) RMB'000	**Statutory reserves (Note 28) RMB'000**	**Other reserve (Note 29) RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance as at 1 January 2023 (Restated)		**99,829**	**13,108**	**1,404,072**	**740,149**	**2,257,158**	**51,100**	**2,308,258**
Comprehensive income								
Profit for the year		**—**	**—**	**—**	**42,148**	**42,148**	**(2,147)**	**40,001**
Transactions with owners in their capacity as owners								
Dividends declared and paid during the year	32	**—**	**—**	**(146,109)**	**—**	**(146,109)**	**—**	**(146,109)**
Deemed distribution		**—**	**—**	**(54,000)**	**—**	**(54,000)**	**—**	**(54,000)**
Distribution relating to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(2,440)**	**(2,440)**
Balance as at 31 December 2023		**99,829**	**13,108**	**1,203,963**	**782,297**	**2,099,197**	**46,513**	**2,145,710**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000 (Restated)
Cash flows from operating activities		
Profit before income tax	**63,694**	106,335
Adjustments for:		
(Gain)/loss on disposal of property, plant and equipment	**(127)**	146
Loss on disposal of intangible assets	**272**	—
Fair value gains on financial assets at fair value through profit or loss ("FVTPL")	**—**	(157)
Share of results in joint ventures	**8,767**	(39,692)
Gain on disposal of investment in a joint venture	**(20,559)**	(6,913)
Net impairment losses on financial assets	**260,041**	483,060
Net impairment losses on inventories	**30,476**	4,714
Net impairment losses on investment properties	**6,504**	—
Net impairment losses on goodwill	**6,622**	—
Depreciation of investment properties	**67,054**	11,141
Depreciation of right-of-use assets	**7,123**	11,085
Amortisation of intangible assets	**33,490**	16,459
Depreciation of property, plant and equipment	**15,180**	11,177
Interest income	**(5,277)**	(4,664)
Written off of account payables	**(5,761)**	(480)
Exchange losses	**6,207**	11,161
Finance costs	**762**	1,727
Operating cash flows before movements in working capital	**474,468**	605,099
Increase in inventories	**(432,348)**	(77,988)
Increase in trade and note receivables	**(211,175)**	(695,329)
Decrease/(increase) in prepayments and other receivables	**184,459**	(101,093)
Decrease/(increase) in contract assets	**2,940**	(4,516)
(Increase)/decrease in restricted bank deposits	**(8,649)**	70
(Decrease)/increase in trade and other payables	**(97,130)**	304,370
Increase in contract liabilities	**60,239**	61,583
Cash (used in)/generated from operations	**(27,196)**	92,196
Income tax paid	**(89,203)**	(97,890)
Interest received	**5,277**	4,664
Net cash used in from operating activities	**(111,122)**	(1,030)
Cash flows from investing activities		
Deposit paid to		
—related party	**—**	(4,264,023)
—third parties	**(200,000)**	(1,885,000)
Deposit refunded from		
—related party	**392,395**	3,245,278
—third parties	**280,000**	1,790,000
Purchases of financial assets at FVTPL	**—**	(44,600)
Acquisition of subsidiaries in previous year, net of cash acquired	**(8,580)**	(486,675)
Purchase of property, plant and equipment	**(3,308)**	(83,679)
Purchase of investment properties	**(30,262)**	(121,360)
Purchase of intangible assets	**(12,710)**	(14,162)
Redemption of financial assets at FVTPL	**—**	44,757
Dividend received from a joint venture	**30,000**	43,476
Proceeds from disposal of investment in joint ventures	**59,000**	26,000
Proceeds from sale of property, plant and equipment	**258**	265
Net cash generated from/(used in) investing activities	**506,793**	(1,749,723)

	Notes	**2023** **RMB'000**	2022 RMB'000 (Restated)
Cash flows from financing activities			
Dividends paid	32	**(146,109)**	(271,136)
Payments of lease liabilities	33(b)	**(3,114)**	(13,881)
Distribution relating to non-controlling interests		**(2,440)**	(6,977)
Payment of consideration of common control combination		**(58,799)**	—
Net cash used in financing activities		**(210,462)**	(291,994)
Net increase/(decrease) in cash and cash equivalents		**185,209**	(2,042,747)
Cash and cash equivalents at the beginning of the year		**472,540**	2,526,828
Exchange losses on cash and cash equivalents		**(6,207)**	(11,541)
Cash and cash equivalents at the end of the year		**651,542**	472,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The consolidated financial statements are presented in Renminbi ("RMB") (which is also the Company's presentational currency), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 26 March 2024.

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), 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 35.2).

The acquisition is regarded as "business combination under common control" and is accounted for using the principles and procedures of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 (Revised) "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and as further explained in Note 3.

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 35.2.

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

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Application of Amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current period

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

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
Amendments to HKAS 12	International Tax reform — Pillar Two Model Rules

The application of the amendments listed above in the current year has had no material effect on the Group's financial performance and positions for the current and prior year but affect the disclosures of accounting policies as set out in these consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not applied the following 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 amendments to HKFRSs but is not yet in a position to state whether these 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 HKAS 1, Classification of Liabilities as Current or Non-Current	1 January, 2024
Hong Kong Interpretation 5 (Revised), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause	1 January, 2024
Amendments to HKAS 1, Non-current Liabilities with Covenants	1 January, 2024
Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback	1 January, 2024
Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements	1 January, 2024
Amendments to HKAS 21, Lack of Exchangeability	1 January, 2025

3. ACCOUNTING POLICIES

Principles of consolidation and equity accounting

Consolidation

The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date control ceases.

Equity accounting

The Group's interests in joint venture are those arrangements in which the Group has joint control, whereby the Group has rights to net assets of the arrangement than rights to its assets and obligations for its liabilities. The Group's interests in joint venture are account for using the equity method of accounting in which the investments are initially recognised at cost, which includes transaction costs, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income until the date on which joint control ceases or is classifies as held for sales. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in "Impairment of non-financial assets" below.

Separate financial statements

Investments in subsidiaries are accounted for at cost, which includes transaction cost, and less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments that dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group. The consideration transferred for the acquisition is generally measured at fair value as are the identifiable net asset acquired and any previously held equity interest in acquiree.

The Group recognises any non-controlling interest in the acquiree at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

3. ACCOUNTING POLICIES (CONTINUED)

Business combinations not under common control (Continued)

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 net assets over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

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 consolidated 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.

Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective group companies using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the profit or loss. All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gain/(losses).

Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are generally measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

3. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

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

Investment properties

Investment properties, principally units of commercial buildings and carpark spaces, are held to earn rentals. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives of 20 years and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Intangible assets

(a) Goodwill

Goodwill arising on business combination represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired. They are measured at cost less accumulated impairment losses.

(b) Trademarks

Separately acquired trademarks with a finite useful life are initially measured at cost and are subsequently measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 13 years, with reference to the period of legal right, including the renewal period and cost of renewal.

(c) Property management contracts and customer relationships

Property management contracts and customer relationships acquired in business combinations with a finite useful life are initially recognised at fair value at the acquisition date and are subsequently measured at cost less accumulated amortization and impairment losses. Amortisation is calculated using the straight-line method over the expected useful lives of 7.75 to 10 years.

3. ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

(d) Computer software

Acquired computer software programs are initially recognised at cost and subsequently measured at cost less accumulated amortisation and impairment losses. Taking into account of the continuity, the stability and simplicity of the service provided by the Group and the past experience of the actual useful life of computer software, these costs are amortised over their estimated useful lives 5 to 10 years.

Impairment of non-financial assets

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes. An impairment loss is recognised in profit or loss for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial assets

Recognition, classification and measurement

The Group classifies its financial assets measured at amortised cost.

Trade and note receivables without significant financing component are recognised initially at transaction price. All other financial assets are initially measures at its fair value plus, transaction costs that are directly attributable to their acquisition or issuance. For trade and note receivables, they are amounts due from customers for services performed in the ordinary course of business. If collection of trade and note receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. The Group holds the trade and note receivables together with other receivable and bank deposits with the objective to collect the contractual cash flows and its contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal outstanding amount and therefore measures them subsequently at amortised cost using the effective interest method. Their gross carrying amount is reduced by impairment losses. Interest income from these financial assets is included in interest income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

Impairment

The Group recognised on a forward looking basis the expected credit losses associated with its financial assets measured at amortised cost.

3. ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment (Continued)

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

For trade and note receivables, the Group applies the simplified approach permitted by Financial Instruments ("HKFRS 9"), using the provision matrix which requires lifetime expected losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade and note receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For details of the Group's accounting for trade and note receivables and description of the Group's impairment policies, see Notes 4.1.2 and 23.

Impairment on other financial assets are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. Note 4.1.2 details how the Group determines whether there has been a significant increase in credit risk. If a significant increase in credit risk has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Inventories

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

Trade and other payables

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

Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3. ACCOUNTING POLICIES (CONTINUED)

Current and deferred income tax (Continued)

(a) Current income tax

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

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary difference or temporary differences arising on investments in subsidiaries and joint venture, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

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

3. ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

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

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

(d) Bonus entitlements

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

Provisions

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

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

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

Revenue recognition

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

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

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

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

3. ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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

Property management services on residential and other non-commercial properties and commercial operational and property management services on commercial properties (collectively referred to as "property management" and "commercial operational services")

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

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

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

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

Value-added services to non-property owners

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

Community value-added services

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

3. ACCOUNTING POLICIES (CONTINUED)

Leases

(a) *The Group as a lessee*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group except for short-term leases, which are recognised on a straight-line basis over the lease term as an expense.

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

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

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-of-use asset is periodically reduced by any impairment loss and adjusted for certain remeasurements of lease liability.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. It is subsequently measured at amortised cost under effective interest method and adjusted for certain remeasurement. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate, which is generally the case. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) *The Group as a lessor*

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership of an underlying asset. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

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

Government grants

Government grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the period in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

4.1.1 Fair value interest rate risk

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

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

As of 31 December 2023 and 2022, the Group has no floating-interests-rate interest bearing liabilities.

4.1.2 Credit risk

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

(i) Cash in banks

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

(ii) Trade and note receivables, contract assets

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

(iii) Other receivables

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

Forward-looking information incorporated in the expected credit loss model

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

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

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and note receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	The debtor repays frequently, and usually full settlement was received after the maturity date	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating that the debtor is in financial difficulty and no settlement was received after the maturity date	Lifetime ECL — credit impaired	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount 2023 RMB'000	Gross carrying amount 2022 RMB'000 (Restated)
Financial assets at amortised cost						
Trade and note receivables	23	—	(Note)	Lifetime ECL (not credit impaired and provision matrix)	**1,099,924**	981,864
			Loss	Lifetime ECL (credit impaired)	**505,405**	417,340
Other receivables	25	—	Low	12-month ECL	**522,010**	—
		—	Doubtful	Lifetime ECL (not credit impaired)	**69,267**	230,787
			Loss	Lifetime ECL (credit impaired)	**32,185**	1,204,168
Contract assets	24	—	Low risk	Lifetime ECL (not credit impaired)	**17,413**	20,353
Cash and cash equivalents and restricted bank deposits	26	AAA to AA+	Low risk	12-month ECL (assessed individually)	**660,662**	473,011

Note: For trade and note receivables, and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which were credit-impaired (whose expected credit losses are assessed individually), the Group determines the expected credit losses on these items grouped by past due status for trade receivables.

The Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward-looking information, including but not limited to the expected economic conditions in the PRC and expected subsequent settlements, the Group does not consider that default occurs for those contractual payments that are more than 90 days past due.

The Group used estimated loss rates based on aging for classes with different credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

As of 31 December 2023 and 2022, the loss allowance of trade and note receivables (not credit impaired) based on collective impairment assessment was determined as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade and note receivables due from related parties					
As 31 December 2022 (Restated)					
Expected loss rate	2.39%	13.08%	4.56%	31.11%	4.47%
Gross carrying amount (RMB'000)	174,966	28,990	12,865	4,240	221,061
Loss allowance provision (RMB'000)	4,190	3,792	587	1,319	9,888
At 31 December 2023					
Expected loss rate	**6.18%**	**21.07%**	**40.60%**	**98.36%**	**19.91%**
Gross carrying amount (RMB'000)	**150,686**	**133,730**	**27,628**	**17,101**	**329,145**
Loss allowance provision (RMB'000)	**9,315**	**28,175**	**11,218**	**16,820**	**65,528**

As of 31 December 2023 and 2022, the loss allowance of trade and note receivables (not credit impaired) based on collective impairment assessment was determined as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade and note receivables due from third parties					
As 31 December 2022 (Restated)					
Expected loss rate	7.60%	22.88%	41.70%	98.99%	16.88%
Gross carrying amount (RMB'000)	573,806	102,666	38,872	45,459	760,803
Loss allowance provision (RMB'000)	43,629	23,487	16,209	45,003	128,328
At 31 December 2023					
Expected loss rate	**16.10%**	**39.29%**	**60.88%**	**97.92%**	**31.78%**
Gross carrying amount (RMB'000)	**459,852**	**191,435**	**57,638**	**61,854**	**770,779**
Loss allowance provision (RMB'000)	**74,047**	**75,216**	**35,089**	**60,566**	**244,918**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

As of 31 December 2023 and 2022, the loss allowance of trade and note receivables (credit impaired) was determined as follows:

	2023			2022 (Restated)		
	Expected loss rate	**Gross carrying amount RMB'000**	**Loss allowance provision RMB'000**	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Trade and note receivables due from related parties	**34.00%**	**505,405**	**171,858**	21.62%	417,340	90,242

Movements in loss allowance of trade and note receivables are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
At the beginning of the year	**228,458**	42,329
Impairment loss recognised for the year	**258,896**	175,347
(Write-off)/write-back	**(5,050)**	10,782
At the end of the year	**482,304**	228,458

The loss allowance was measured at an amount equal to lifetime expected credit losses under the simplified approach for trade and note receivables. The changes in the loss allowance was mainly due to the additional loss allowance on property management service contracts at the reporting date under the expected credit loss model during the year.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

As at 31 December 2023 and 2022, the loss allowance of other receivables (excluding prepayments) (not credit impaired) was determined as follows:

	2023			2022 (Restated)		
	Expected loss rate	**Gross carrying amount RMB'000**	**Loss allowance provision RMB'000**	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Other receivables due from related parties	**26.72%**	**464,776**	**124,187**	0.52%	105,224	544
Other receivables due from third parties	**12.90%**	**126,501**	**16,313**	3.04%	125,563	3,815
Total		**591,277**	**140,500**		230,787	4,359

As of 31 December 2023 and 2022, the loss allowance of other receivables (excluding prepayments) (credit impaired) was determined as follows:

	2023			2022 (Restated)		
	Expected loss rate	**Gross carrying amount RMB'000**	**Loss allowance provision RMB'000**	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Other receivables due from related parties	**61.53%**	**31,527**	**19,397**	25.31%	1,104,955	279,628
Other receivables due from third parties	**62.01%**	**658**	**408**	23.91%	99,213	23,726
Total		**32,185**	**19,805**		1,204,168	303,354

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

Movements of the provision for impairment loss on other receivables are as follows:

	12-month ECL RMB'000	Lifetime ECL — not credit impaired RMB'000	Lifetime ECL — credit impaired RMB'000	Total RMB'000
Balance as at 1 January 2022 (Restated)	—	74	2,204	2,278
Transfer to lifetime ECL not credit — impaired/credit-impaired	—	—	—	—
Net remeasurement of loss allowance	—	—	—	—
Written off	—	(74)	(2,204)	(2,278)
New financial assets originated	—	4,359	303,354	307,713
Balance as at 31 December 2022 and 1 January 2023 (Restated)	**—**	**4,359**	**303,354**	**307,713**
Transfer to lifetime ECL not credit — impaired/credit-impaired	**—**	**—**	**—**	**—**
Net remeasurement of loss allowance	**—**	**30,969**	**(134,996)**	**(104,027)**
New financial assets originated	**105,172**	**—**	**—**	**105,172**
Written off	**—**	**—**	**(2,449)**	**(2,449)**
Financial assets that have been derecognised	**—**	**—**	**(146,104)**	**(146,104)**
Balance as at 31 December 2023	**105,172**	**35,328**	**19,805**	**160,305**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.2 Credit risk (Continued)

As of 31 December 2023 and 2022, the loss allowance provision for trade and note receivables and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade and note receivables			Other receivables (excluding prepayments)			
	Due from related parties RMB'000	Due from third parties RMB'000	Total RMB'000	Due from related parties RMB'000	Due from third parties RMB'000	Total RMB'000	Total RMB'000
At 1 January 2022	1,732	40,597	42,329	24	2,254	2,278	44,607
Provision for loss allowance recognised in profit or loss	98,398	76,949	175,347	280,148	27,565	307,713	483,060
Loss allowance write- back/ (write-off)	—	10,782	10,782	—	(2,278)	(2,278)	8,504
At 31 December 2022 and 1 January 2023	**100,130**	**128,328**	**228,458**	**280,172**	**27,541**	**307,713**	**536,171**
Provision for/(reversal of provision for) loss allowance recognised in profit or loss	**137,256**	**121,640**	**258,896**	**9,516**	**(8,371)**	**1,145**	**260,041**
Loss allowance write-off	**—**	**(5,050)**	**(5,050)**	**—**	**(2,449)**	**(2,449)**	**(7,499)**
Financial assets that have been derecognised	**—**	**—**	**—**	**(146,104)**	**—**	**(146,104)**	**(146,104)**
At 31 December 2023	**237,386**	**244,918**	**482,304**	**143,584**	**16,721**	**160,305**	**642,609**

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

As of 31 December 2023, the gross carrying amount of trade and note receivables and other receivables (excluding prepayments) was RMB2,228,791,000 (2022 restated: 2,834,159,000), and the maximum exposure to loss was RMB1,586,182,000 (2022 restated: RMB2,297,988,000).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.3 Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is the functional currency of the group companies. Foreign currency transactions mainly represents payment of dividend which is dominated in HKD. As at 31 December 2023 and 2022, major non-RMB monetary assets are cash and cash equivalents denominated in HKD and US. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group currently does not have a foreign currency hedging policy, and manage its foreign currency risk by closely monitoring the movement of foreign currency rate.

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

	2023	2022
	HKD	HKD
	RMB'000	RMB'000
Cash and cash equivalents	**322**	2,074

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

	2023	2022
	RMB'000	RMB'000
Net foreign exchange losses included in other gains/(losses)	**6,207**	11,161

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

	2023	2022
	RMB'000	RMB'000
5% increase in RMB against HKD and USD	**(16)**	(104)
5% decrease in RMB against HKD and USD	**16**	104

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

4.1.4 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The tables below analyze the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Contractual maturities of financial liabilities					
At 31 December 2023					
Trade and other payables (excluding payroll and welfare payables and other tax payables)	**758,513**	**197,855**	**203,099**	**—**	**1,159,467**
Lease liabilities	**5,867**	**486**	**1,598**	**483**	**8,434**
	764,380	**198,341**	**204,697**	**483**	**1,167,901**
Contractual maturities of financial liabilities					
At 31 December 2022					
Trade and other payables (excluding payroll and welfare payables and other tax payables) (Restated)	918,786	196,335	112,309	—	1,227,430
Lease liabilities	3,626	7,412	7,652	814	19,504
	922,412	203,747	119,961	814	1,246,934

4.2 Capital management

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

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital management (Continued)

As of 31 December 2023 and 2022 and the gearing ratio of the Group is as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Lease liabilities	**7,666**	16,681
Less: cash and cash equivalents	**(651,542)**	(472,540)
Net cash	**(643,876)**	(455,859)
Total equity	**2,145,710**	2,308,258

The Group's gearing ratio was not applicable as of 31 December 2023 and 2022 due to a net cash position.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Loss allowances assessment of trade and note receivables

The Group makes allowances on trade and note receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculations, based on the Group's historical observed default rates, financial position, ageing profile of receivable balances, and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and note receivables and net impairment losses on financial assets in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 4.1.2 above.

(b) Loss allowances assessment of other receivables (excluding prepayments)

The Group makes loss allowance on other receivables (excluding prepayments) based on an assessment of 12-month and the lifetime expected credit losses, including an assessment of the risk of default and the expected loss rate. In performing the assessment, management considered the credit quality of debtors by considering their historical observed default rates, financial position and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment assessment of property management contracts and customer relationships, and goodwill

The Group tests whether property management contracts and customer relationships, and goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3, where the recoverable amounts of the CGU is determined based on value-in-use (the "VIU") calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 19.

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

The directors determined the useful life of property management contracts with reference to the term of outstanding contract and the useful life of customer relationship with reference to each existing contract based on contract expiring dates, historical trend of termination or renewal rate, experience in the property management industry and to the useful life of customer relationship used by industry peers. However, the actual useful life may be shorter or longer than estimate depending on acquirees' ability to secure its contracts and relationships with property developers or renew the contracts with property owners' associations in the future. Where the actual useful life is different from the original estimate, such difference will impact the carrying amount of these intangible assets and the amortisation expenses in the periods in which such estimate has been changed.

(e) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

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 year ended 31 December 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.

As at 31 December 2023 and 2022, all of the non-current assets were located in the PRC.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the years ended 31 December 2023 and 2022.

7. REVENUE AND COST OF SALES AND SERVICES

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 and services by category for the year ended 31 December 2023 and 2022 is as follows:

	2023		2022	
	Revenue RMB'000	**Cost of sales and services RMB'000**	Revenue RMB'000 (Restated)	Cost of sales and services RMB'000 (Restated)
Type of goods or services				
Property management and commercial operational services				
a) Property management services on residential and other non-commercial properties	**1,698,024**	**1,411,374**	1,433,453	1,186,341
b) Commercial operational and property management services on commercial properties	**507,818**	**432,357**	529,120	383,836
Community value-added services	**544,404**	**379,769**	664,960	423,239
Value-added services to non-property owners	**382,963**	**311,970**	702,603	564,035
	3,133,209	**2,535,470**	3,330,136	2,557,451
Timing of revenue recognition				
Over time	**2,729,131**	**2,198,956**	2,848,564	2,219,400
Point in time	**213,843**	**189,149**	347,965	252,963
	2,942,974	**2,388,105**	3,196,529	2,472,363
Revenue from other sources				
Rental income	**190,235**	**147,365**	133,607	85,088

For the year ended 31 December 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 ("these Customers") contributed 15% (2022 restated: 23%) of the Group's revenue. Other than these customers, the Group has a large number of customers, none of whom contributed approximately 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022.

7. REVENUE AND COST OF SALES AND SERVICES (CONTINUED)

7.1 Contract liabilities

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

	2023 RMB'000	2022 RMB'000 (Restated)
Contract liabilities		
— Related parties (Note 36(d))	**21,954**	12,598
— Third parties	**496,110**	445,227
	518,064	457,825

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The Group recognises revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value to the customer of the Group's performance completed to date. The Group bills the amount for services provided on a monthly or quarterly basis, or pre- charges service fee on a yearly basis. The increase in contract liabilities was mainly due to the expansion of business activities from self-development.

(ii) Revenue recognised in relation to contract liabilities

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

	2023 RMB'000	2022 RMB'000 (Restated)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management and commercial operational services	**327,466**	290,232
Community value-added services	**100,804**	75,692
Value-added services to non-property owners	**7,684**	12,121
	435,954	378,045

7. REVENUE AND COST OF SALES AND SERVICES (CONTINUED)

7.1 Contract liabilities (Continued)

(iii) Unsatisfied performance obligations

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

For sales of carpark spaces, properties, consumables and merchandises, included in community value-added services and value-added services to non-property owners, the performance obligation is satisfied when control of the asset is transferred to the customers. The payment is due immediately when the customer obtains the physical possession and/or the legal title of the carpark spaces, properties, consumables and goods. There were no remaining performance obligations unsatisfied or partially satisfied as of 31 December 2023 and 2022.

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

For the years ended 31 December 2023 and 2022, no significant incremental cost was incurred to obtain a contract.

8. OTHER INCOME

	2023 **RMB'000**	2022 RMB'000 (Restated)
Government grants (note)	**16,518**	22,966
Interest income from bank deposits	**5,277**	4,664
Written off of account payables	**5,761**	480
Others	**2,148**	1,382
	29,704	29,492

Note:

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

9. OTHER GAINS/(LOSSES)

	2023 RMB'000	2022 RMB'000
Fair value gains on financial assets at fair value through profit or loss	—	157
Gain/(loss) on disposal of property, plant and equipment	127	(146)
Loss on disposal of intangible assets	(272)	—
Gain on disposal of investment in a joint venture	20,559	6,913
Net foreign exchange losses	(6,207)	(11,161)
	14,207	(4,237)

10. EXPENSES BY NATURE

	2023 RMB'000	2022 RMB'000 (Restated)
Employee benefit expenses (Note 11)	970,901	945,599
Outsourced security, greening and cleaning expenses	907,892	868,920
Maintenance expenses and utilities	423,095	476,950
Cost of consumables and construction materials	59,122	129,433
Cost of merchandises sold	40,975	92,694
Cost of selling carpark spaces and properties	39,340	14,969
Net impairment losses on inventories	30,476	4,714
Sub-contract expenses for home improvement and property agency services	27,548	34,654
Office-related expenses	104,263	91,946
Depreciation and amortisation charges (Note 17,18,19,20)	122,847	49,862
Community activities expenses	22,351	22,073
Taxes and surcharges	14,394	13,087
Service fee related to commercial operational services	—	7,333
Auditors' remuneration	4,580	3,620
— Audit services	2,830	2,480
— Non-audit services	1,750	1,140
Others	62,946	48,107
	2,830,730	2,803,961

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS)

	2023 RMB'000	2022 RMB'000 (Restated)
Wages and salaries	**733,890**	692,760
Bonuses	**16,319**	31,616
Pension costs (a)	**67,880**	80,000
Housing funds, medical insurances and other social insurances	**110,962**	90,716
Other employee benefits (b)	**41,850**	50,507
	970,901	945,599

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

There is no mechanism for using forfeited contributions (by employers on behalf of employees who leave the pension plans prior to vesting fully in such contributions) to reduce the Group's level of contributions to the defined contribution pension plans and no forfeited contributions were used to reduce the Group's level of contributions for the year ended 31 December 2023.

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

(c) Five highest paid individuals

For the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group include 2 directors (2022: 2), whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining 3 individuals (2022: 3 individuals) during the year are as follow:

	2023 RMB'000	2022 RMB'000
Wages and salaries	**2,648**	4,150
Bonuses	**2,049**	2,481
Pension costs	**259**	163
Housing allowances, other allowances and benefits in kind	**189**	242
	5,145	7,036

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS) (CONTINUED)

(c) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands (in HKD)		
1,000,001–1,500,000	**—**	—
1,500,001–2,000,000	**3**	—
2,000,001–2,500,000	**—**	1
2,500,001–3,000,000	**—**	1
3,000,001–3,500,000	**—**	1
4,500,001–5,000,000	**—**	—
	3	3

(d) During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

12. FINANCE COSTS

	2023	2022
	RMB'000	RMB'000
Interest expense for lease liabilities	**762**	1,727

13. SUBSIDIARIES

The Group's principal subsidiaries as of 31 December 2023 are set out below. Unless otherwise stated, the proportion of ownership interests held equals to the voting rights held by the Group.

	Name of company	Place of incorporation/kind of legal entity	Principal activities and place of operation	Issued/paid -in capital (in thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					2023	2022	**2023**	2022
(1)	Harvest Team Global Limited	BVI, Limited Company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(2)	Park Star Global Limited	BVI, Limited Company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(3)	Super Lucky Investment Limited	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(4)	Talent Bright Creation Limited	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD –	**100%**	100%	**–**	–
(5)	北京遠璟榮達企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB558,900	**100%**	100%	**–**	–
(6)	北京遠璟瑞達企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB226,900	**100%**	100%	**–**	–
(7)	北京卓遠瑞通企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB558,700	**100%**	100%	**–**	–
(8)	北京卓遠瑞合企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB226,700	**100%**	100%	**–**	–
(9)	遠洋億家物業服務股份有限公司("Ocean Homeplus")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB704,000	**100%**	100%	**–**	–
(10)	中遠酒店物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB12,667	**100%**	100%	**–**	–
(11)	大連遠洋基業物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**100%**	100%	**–**	–
(12)	中山遠洋物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**100%**	100%	**–**	–

13.SUBSIDIARIES (CONTINUED)

	Name of company	Place of incorporation/kind of legal entity	Principal activities and place of operation	Issued/paid -in capital (in thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					2023	2022	**2023**	2022
(13)	北京億洋時代樓宇科技有限公司	The PRC, Limited Liability Company	Repair and maintenance services in Mainland of the PRC	RMB8,000	**100%**	100%	**–**	–
(14)	山東聯泰物業服務有限公司 ("Shandong Liantai")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**80%**	80%	**20%**	20%
(15)	遠洋億家物業服務南通有限公司("Ocean Nantong")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**60%**	60%	**40%**	40%
(16)	杭州遠洋新時代物業管理有限公司("Hangzhou New Era")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**60%**	60%	**40%**	40%
(17)	湖南遠洋億家相成物業管理有限公司 (previously name as "長沙相成物業管理有限公司") ("Xiangcheng Property")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**60%**	60%	**40%**	40%
(18)	億雲智慧(北京) 信息技術發展有限公司	The PRC, Limited Liability Company	Information technology service in Mainland of the PRC	RMB–	**100%**	100%	**–**	–
(19)	廣東遠洵物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB2,000	**51%**	51%	**49%**	49%
(20)	鄭州遠鑫物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB–	**100%**	100%	**–**	–
(21)	平潭億暉企業諮詢有限公司	The PRC, Limited Liability Company	Commercial operational services in Mainland of the PRC	RMB–	**100%**	100%	**–**	–

13.SUBSIDIARIES (CONTINUED)

	Name of company	Place of incorporation/kind of legal entity	Principal activities and place of operation	Issued/paid -in capital (in thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					2023	2022	**2023**	2022
(22)	平潭億博企業諮詢有限公司	The PRC, Limited Liability Company	Commercial operational services in Mainland of the PRC	RMB—	**100%**	100%	**—**	—
(23)	浙江遠甌物業管理有限公司 ("Zhejiang Yuanou")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB6,675	**80%**	80%	**20%**	20%
(24)	北京應維科技服務有限公司	The PRC, Limited Liability Company	Information technology service in Mainland of the PRC	RMB10,000	**51%**	51%	**49%**	49%
(25)	河南遠洋和諧物業服務有限公司 ("Henan Hexie")(b)	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB10,000	**51%**	51%	**49%**	49%
(26)	天津熙合供應鏈服務有限公司 ("Tianjin Xihe")(c)	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB—	**100%**	100%	**—**	—
(27)	北京頤景融德企業管理諮詢有限公司	The PRC, Limited Liability Company	Leasing and commercial services	RMB—	**100%**	100%	**—**	—
(28)	上海遠擇物業管理有限公司 ("Shanghai Far Choice")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**100%**	100%	**—**	—
(29)	福州遠擇品唯物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**60%**	60%	**40%**	40%
(30)	湖南紅星品唯物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB—	**80%**	80%	**20%**	20%

13. SUBSIDIARIES (CONTINUED)

	Name of company	Place of incorporation/kind of legal entity	Principal activities and place of operation	Issued/paid -in capital (in thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					2023	2022	**2023**	2022
(31)	沈陽遠擇星輝物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,100	**100%**	100%	**–**	–
(32)	天津遠擇星馳物業管理有限公司	The PRC, Limited Liability Company	Community services, repair and other services	RMB5,100	**100%**	100%	**–**	–
(33)	烏魯木齊遠擇星馳物業服務有限公司	The PRC, Limited Liability Company	Community services, repair and other services	RMB–	**100%**	100%	**–**	–
(34)	蘇州遠擇品唯物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**100%**	100%	**–**	–
(35)	西安紅星星輝物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB–	**51%**	51%	**49%**	49%
(36)	遠洋機電設備技術發展有限公司 ("Sino-Ocean Mechatronics") (a)	The PRC, Limited Liability Company	Property engineering services	RMB–	**100%**	–	**–**	–

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

(a) During the year ended 31 December 2023, the Group acquired 100% equity interests of Sino-Ocean Mechatronics (Note 35).

(b) As of 31 December 2023, the total non-controlling interests are RMB46,513,000 (2022: RMB51,100,000). No subsidiaries have non-controlling interests that are material to the Group.

14. INVESTMENTS IN JOINT VENTURES/ASSET HELD FOR SALE

Set forth below are the joint ventures of the Group as of 31 December 2023 and 2022 which, in the opinion of the directors, are not individually material to the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of company	Place of business/country of incorporation	% of ownership interest As of 31 December		Nature of relationship	Measurement method	Carry amount As of 31 December	
		2023	2022			**2023 RMB'000**	2022 RMB'000
Chengdu Qianhao Property Service Co., Ltd. 成都乾豪物業服務有限公司 ("Chengdu Qianhao")	Property management in Chengdu	**–**	35%	2022: Held-for-sale asset	Lower of carrying amount and fair value less cost to sell	**–**	38,441 (Note)
Beijing Best Technology Service Co., Ltd. 北京百思得科技服務有限責任公司 ("Beijing Best") (i)	Cleaning services in Beijing	**30%**	30%	Joint venture	Equity method	**22,030**	21,907
Beijing Indigo Property Service Co., Ltd. 北京頤堤港物業服務有限公司 ("Beijing Indigo")	Property management in Beijing	**50%**	50%	Joint venture	Equity method	**27,672**	27,282
Chongqing Tengji Property Management Co., Ltd. 重慶騰基物業管理有限公司 ("Chongqing Tengji") (i)	Property management in Chongqing	**49%**	49%	Joint venture	Equity method	**890**	10,170

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

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

14. INVESTMENTS IN JOINT VENTURES/ASSET HELD FOR SALE (CONTINUED)

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

	2023 **RMB'000**	2022 RMB'000
At beginning of year	**59,359**	150,671
Share of (loss)/profit from investments in joint ventures	**(8,767)**	39,692
Dividend declared	**—**	(73,476)
Disposal of partial interest in a joint venture (Note)	**—**	(19,087)
Reclassified as asset held-for-sale (Note)	**—**	(38,441)
At end of year	**50,592**	59,359

Note:

The balance of asset held-for-sale as of 31 December 2022 represented the Group's 35% equity interest in Chengdu Qianhao. On 15 December 2022, the Group entered into Equity Transfer Agreements, pursuant to which the Group agreed to sell 15% and 35% equity interest in Chengdu Qianhao to the purchaser at a cash consideration of RMB26,000,000 and RMB59,000,000 respectively. As of 31 December 2022, the sale of the 15% equity interest was completed, and the sales of the remaining 35% equity interest has been completed on 22 February 2023. The carrying amount of the Group's 35% investment in Chengdu Qianhao amounting to RMB38,441,000 was reclassified as asset held-for-sale as the Group intended to recover the carrying amount through a sale transaction and the investment met the criteria to be classified as held-for-sale. The carrying amount of Chengdu Qianhao as of 31 December 2022 represented the carrying amount of the interest in joint ventures determined using the equity method of accounting immediately before the classification of asset held-for-sale, which is lower than the fair value less costs to sell.

As of 31 December 2023 and 2022, there were no significant contingent liabilities or commitments relating to the Group's investments in the joint ventures. The summarised financial information of the individually immaterial joint ventures on an aggregate basis is as follows:

	2023 **RMB'000**	2022 RMB'000
Carrying amounts in the consolidated financial statements	**50,592**	59,359
Share of results	**(8,767)**	39,692
Share of total comprehensive income	**(8,767)**	39,692

15. INCOME TAX EXPENSE

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

	2023 RMB'000	2022 RMB'000 (Restated)
Current income tax		
— PRC corporate income tax-current tax	**93,651**	104,801
— PRC corporate income tax over provision in prior years	**(16,886)**	(6,386)
— PRC land appreciation tax	**643**	3,480
Deferred income tax credit (Note 31)	**(53,715)**	(74,682)
	23,693	27,213

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

	2023 RMB'000	2022 RMB'000 (Restated)
Profit before income tax	**63,694**	106,335
Tax calculated at a tax rate of 25%	**15,924**	26,584
Tax effects of:		
Share of loss/(profit) on joint ventures	**2,192**	(9,923)
Higher tax rate for the appreciation of land in the PRC	**514**	2,941
Expenses not deductible for tax purposes	**10,210**	1,532
Tax losses and temporary difference not recognised	**4,635**	246
Written-down of deferred income tax assets	**12,242**	—
Over-provision in prior years	**(16,886)**	(6,386)
Utilisation of tax loss previously not recognised	**(427)**	—
Differences in tax rate	**(4,971)**	12,077
Others	**260**	142
Income tax expense	**23,693**	27,213

15. INCOME TAX EXPENSE (CONTINUED)

(a) Cayman Islands income tax

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

(b) Hong Kong profit tax

No provision for Hong Kong profit tax was made as the Group did not have assessable income subject to Hong Kong profit tax for the years ended 31 December 2023 and 2022.

(c) PRC corporate income tax

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

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

(d) PRC land appreciation tax (“LAT”)

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

(e) PRC withholding income tax

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

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

16. 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 (2022: 1,184,000,000) in issue during the year.

	2023	2022 (Restated)
Profit attributable to owners of the Company used in the basic earnings per share calculation (RMB'000)	**42,148**	75,745
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 year (expressed in RMB per share)	**0.036**	0.064

For the years ended 31 December 2023 and 2022, diluted earnings per share was equal to the basic earnings per share as there were no dilutive potential ordinary shares.

17. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000 (Restated)
Opening net book amount	**106,269**	—
Additions (Note)	**28,821**	117,410
Depreciation charged for the year	**(67,054)**	(11,141)
Provision for impairment	**(6,504)**	—
Closing net book amount	**61,532**	106,269

Amounts recognised in profit or loss for investment properties

	2023 RMB'000	2022 RMB'000 (Restated)
Rental income	**66,237**	9,457
Direct operating expenses	**(67,054)**	(11,141)

Note: The investment properties are leased to independent third parties. The investment properties are situated on land in PRC.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Office and operating equipment RMB'000	Vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
COST					
At 1 January 2022	2,776	50,012	4,612	20,647	78,047
Additions	73,245	5,223	217	8,620	87,305
Acquisition of a subsidiary	11,072	1,849	486	—	13,407
Disposals	—	(2,529)	(227)	(164)	(2,920)
At 31 December 2022 and 1 January 2023	**87,093**	**54,555**	**5,088**	**29,103**	**175,839**
Additions	**941**	**5,966**	**312**	**1,012**	**8,231**
Disposals	**—**	**(3,222)**	**(956)**	**(6,188)**	**(10,366)**
At 31 December 2023	**88,034**	**57,299**	**4,444**	**23,927**	**173,704**
ACCUMULATED DEPRECIATION					
At 1 January 2022	46	34,585	2,534	17,840	55,005
Provided for the year	879	6,197	690	3,411	11,177
Disposals	—	(2,191)	(217)	(101)	(2,509)
At 31 December 2022 and 1 January 2023	**925**	**38,591**	**3,007**	**21,150**	**63,673**
Provided for the year	**4,376**	**6,216**	**615**	**3,973**	**15,180**
Disposals	**—**	**(3,152)**	**(800)**	**(5,929)**	**(9,881)**
At 31 December 2023	**5,301**	**41,655**	**2,822**	**19,194**	**68,972**
CARRYING VALUES					
At 31 December 2023	**82,733**	**15,644**	**1,622**	**4,733**	**104,732**
At 31 December 2022	86,168	15,964	2,081	7,953	112,166

As at 31 December 2023, leasehold land and buildings with remaining lease period of 17 to 19 years and net carrying amount of RMB82,733,000 (2022: RMB86,168,000) include both leasehold land and building elements of properties. The consideration paid by the Group for the acquisition of these properties could not be allocated reliably between the non-lease building element and undivided interest in the underlying leasehold land, hence the balances of the entire properties are classified as property, plant and equipment. The buildings are situated in the PRC and are for own use under medium-term lease. No property, plant and equipment is restricted or pledged as security for liabilities as of 31 December 2023 and 2022.

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

	2023 RMB'000	2022 RMB'000
Cost of sales and services	**11,443**	7,434
Administrative expenses	**3,737**	3,743
	15,180	11,177

19.INTANGIBLE ASSETS

	Computer software RMB'000	Trademark RMB'000	Property management contracts RMB'000	Customer relationships RMB'000	Goodwill RMB'000	Total RMB'000
COST						
At 1 January 2022	25,702	2,975	41,743	32,302	92,632	195,354
Additions	11,088	—	—	—	—	11,088
Acquisition of a subsidiary	—	—	44,680	158,330	369,747	572,757
At 31 December 2022 and 1 January 2023	**36,790**	**2,975**	**86,423**	**190,632**	**462,379**	**779,199**
Additions	**7,711**	**—**	**—**	**—**	**—**	**7,711**
Disposals	**(684)**	**—**	**—**	**—**	**—**	**(684)**
At 31 December 2023	**43,817**	**2,975**	**86,423**	**190,632**	**462,379**	**786,226**
ACCUMULATED DEPRECIATION						
At 1 January 2022	7,751	859	17,098	5,383	—	31,091
Provided for the year	3,954	229	5,648	6,628	—	16,459
At 31 December 2022 and 1 January 2023	**11,705**	**1,088**	**22,746**	**12,011**	**—**	**47,550**
Provided for the year	**4,946**	**229**	**9,246**	**19,069**	**—**	**33,490**
Disposals	**(412)**	**—**	**—**	**—**	**—**	**(412)**
Impairment	**—**	**—**	**—**	**—**	**6,622**	**6,622**
At 31 December 2023	**16,239**	**1,317**	**31,992**	**31,080**	**6,622**	**87,250**
CARRYING VALUES						
At 31 December 2023	**27,578**	**1,658**	**54,431**	**159,552**	**455,757**	**698,976**
At 31 December 2022	25,085	1,887	63,677	178,621	462,379	731,649

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

	2023 RMB'000	2022 RMB'000
Cost of sales and services	**171**	107
Administrative expenses	**33,319**	16,352
	33,490	16,459

(a) No intangible assets are restricted or pledged as security for liabilities as of 31 December 2023 and 2022.

(b) Goodwill arising from acquisition of subsidiaries.

19. INTANGIBLE ASSETS (CONTINUED)

	2023 **RMB'000**	2022 RMB'000
Tianjin Xihe	**352,435**	352,435
Zhejiang Yuanou	**37,828**	37,828
Xiangcheng Property	**27,336**	27,336
Shandong Liantai	**19,339**	25,961
Henan Hexie	**17,312**	17,312
Hangzhou New Era	**1,048**	1,048
Ocean Nantong	**459**	459
	455,757	462,379

As of 31 December 2023, the management performed an impairment assessment on the goodwill. The recoverable amounts of the CGUs of the property management business operated by Tianjin Xihe, Zhejiang Yuanou, Xiangcheng Property, Shandong Liantai, and Henan Hexie have been assessed by an independent valuer, Cushman & Wakefield, and determined based on the VIU calculations. The VIU calculations used cash flow projections based on financial budgets covering a five-year periods approved by the management.

The following table sets forth each key assumption at 31 December 2023, used in assessing the recoverable amounts of the CGUs in the property management business that have significant goodwill.

	Tianjin Xihe	**Zhejiang Yuanou**	**Xiangcheng Property**	**Shandong Liantai**	**Henan Hexie**
Revenue 2024 (% annual growth rate)	11.0%	8.4%	6.5%	10.2%	4.8%
Revenue 2025 (% annual growth rate)	2.2%	3.0%	6.8%	2.9%	3.2%
Revenue 2026 to 2028 (% annual growth rate)	2.2%	3.0%	5.8%	3.0%	3.0%
Gross margin (% of revenue)	21.2%	11.1%	18.7%	6.9%	29.4%
Pre-tax discount rate	16.78%	17.03%	16.11%	15.73%	16.60%
Selling and marketing expenses (% growth rate)	2.2%–46.4%	3.0%	0%	3.0%	3.0%–5.4%
Administrative expenses (% growth rate)	2.2%–29.6%	1.4%–19.6%	–0.6%–2.1%	–4%–12.3%	3.0%–5.2%
Terminal cash flow growth rate	2%	2%	2%	2%	2%

19. INTANGIBLE ASSETS (CONTINUED)

The following table sets forth each key assumption at 31 December 2022, used in assessing the recoverable amounts of the CGUs in the property management business that have significant goodwill.

	Tianjin Xihe	**Zhejiang Yuanou**	**Xiangcheng Property**	**Shandong Liantai**	**Henan Hexie**
Revenue 2023 (% annual growth rate)	1.7%	3.0%	29.0%	19.0%	6.0%
Revenue 2024 (% annual growth rate)	6.7%	3.0%	3.0%	3.0%	5.0%
Revenue 2025 to 2027 (% annual growth rate)	2.2%	3.0%	3.0%	3.0%	3.0%
Gross margin (% of revenue)	22.0%	16.0%	18.0%	9.0%	21.0%
Pre-tax discount rate	16.72%	16.83%	16.65%	16.84%	16.33%
Selling and marketing expenses (% growth rate)	2.2%–11.5%	0.5%	0%	3.0%	3.0%–53.8%
Administrative expenses (% growth rate)	–59.1%–2.2%	1.5%–25.5%	–2.1%–0.8%	–6.1%–29.1%	3.0%–53.0%
Terminal cash flow growth rate	2.2%	2.2%	2.2%	2.2%	2.2%

As of 31 December 2023, the recoverable amounts of RMB822,875,000 (2022: RMB821,596,000) of the CGUs in the property management business calculated based on VIU calculations exceeded their aggregate carrying amounts of RMB714,879,000 (2022: RMB792,670,000) by approximately RMB116,278,000 (2022: RMB28,926,000).

Details of the headroom attributable to the CGUs in the property management business with significant goodwill as of 31 December 2023 and 2022 are set out as follows:

	2023 RMB'000	2022 RMB'000
Tianjin Xihe	**76,825**	6,188
Zhejiang Yuanou	**1,937**	5,724
Xiangcheng Property	**2,343**	799
Shandong Liantai	**n/a***	4,131
Henan Hexie	**35,173**	12,084

19. INTANGIBLE ASSETS (CONTINUED)

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth the reasonably possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom respectively as of 31 December 2023 and 2022.

	Tianjin Xihe	Zhejiang Yuanou	Xiangcheng Property	Shandong Liantai	Henan Hexie
As of 31 December 2023					
Annual revenue growth rate	**3.89%**	**0.79%**	**1.08%**	**n/a***	**14.7%**
Pre-tax discount rate	**2%**	**+0.33%**	**+0.51%**	**n/a***	**+12.18%**
Gross margins	**27%**	**10%**	**17%**	**n/a***	**35%**
Terminal cash flow growth rate	**2%**	**2%**	**2%**	**n/a***	**2%**
As of 31 December 2022					
Annual revenue growth rate	−0.1%	−2.1%	−0.4%	−2.2%	−6.1%
Pre-tax discount rate	+0.1%	+0.9%	+0.2%	+1.01%	+4.0%
Gross margins	21.8%	15.5%	18.0%	9.0%	20.4%
Terminal cash flow growth rate	2.2%	2.2%	2.2%	2.2%	2.2%

* By reference to the recoverable amount assessed by the independent valuer as of 31 December 2023, the directors of the Company determined that an impairment provision of RMB6,622,000 on goodwill allocated to Shandong Liantai CGU was recognised for the year ended 31 December 2023 (2022: Nil). As impairment loss has been recognised for this CGU, any adverse change to key assumptions will result in additional impairment. Accordingly, no sensitivity analysis is performed.

20. LEASES

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

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

Right-of-use assets	Buildings RMB'000	Parking lots RMB'000	Vehicles RMB'000	Equipment RMB'000	Total RMB'000
COST					
At 1 January 2022	36,635	8,220	263	191	45,309
Additions	11,519	202	—	—	11,721
At 31 December 2022 and 1 January 2023	**48,154**	**8,422**	**263**	**191**	**57,030**
Additions	**—**	**938**	**—**	**—**	**938**
Disposals	**(28,696)**	**(1,810)**	**(263)**	**(191)**	**(30,960)**
At 31 December 2023	**19,458**	**7,550**	**—**	**—**	**27,008**
ACCUMULATED DEPRECIATION					
At 1 January 2022	16,239	4,822	102	90	21,253
Provided for the year	8,874	2,059	88	64	11,085
At 31 December 2022 and 1 January 2023	**25,113**	**6,881**	**190**	**154**	**32,338**
Provided for the year	**7,024**	**99**	**—**	**—**	**7,123**
Disposals	**(21,287)**	**(1,728)**	**(190)**	**(154)**	**(23,359)**
At 31 December 2023	**10,850**	**5,252**	**—**	**—**	**16,102**
CARRYING VALUES					
At 31 December 2023	**8,608**	**2,298**	**—**	**—**	**10,906**
At 31 December 2022	23,041	1,541	73	37	24,692

	2023 RMB'000	2022 RMB'000
Lease liabilities		
Current	**5,460**	3,289
Non-current	**2,206**	13,392
	7,666	16,681

20. LEASES (CONTINUED)

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

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

	2023 **RMB'000**	2022 RMB'000
Depreciation charge of right-of-use assets		
Buildings	**7,024**	8,874
Parking lots	**99**	2,059
Vehicles	**—**	88
Equipment	**—**	64
	7,123	11,085
Interest expense (Note 12)	**762**	1,727

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

	2023 **RMB'000**	2022 RMB'000
Cash flows from financing activities		
Payments of interest element of lease liabilities	**762**	1,727
Payments of principal element of lease liabilities	**2,352**	12,154
	3,114	13,881

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

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

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

21. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2023 RMB'000	2022 RMB'000 (Restated)
Financial assets		
Financial assets at amortised cost		
Trade and note receivables	**1,123,025**	1,170,746
Other receivables (excluding prepayments)	**463,157**	1,127,242
Restricted bank deposits	**9,120**	471
Cash and cash equivalents	**651,542**	472,540
	2,246,844	2,770,999
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables (excluding payroll, welfare payables and other tax payable)	**1,159,467**	1,227,430
Lease liabilities	**7,666**	16,681
	1,167,133	1,244,111

22. INVENTORIES

	2023 RMB'000	2022 RMB'000
Carpark spaces	**529,571**	222,153
Properties held for sale	**120,404**	24,513
Consumables and merchandises	**1,380**	2,817
	651,355	249,483

23. TRADE AND NOTE RECEIVABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Trade receivables		
— Related parties (Note 36(d))	**834,550**	638,401
— Third parties	**770,779**	759,885
	1,605,329	1,398,286
Note receivables		
— Third parties	**—**	918
Less: allowance for impairment of trade and note receivables	**(482,304)**	(228,458)
Total	**1,123,025**	1,170,746

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

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

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

As of 31 December 2023 and 2022, the ageing analysis of the trade and note receivables based on the invoice date, were as follows:

	2023			2022		
	Due from related parties RMB'000	**Due from third parties RMB'000**	**Total RMB'000**	Due from related parties RMB'000 (Restated)	Due from third parties RMB'000 (Restated)	Total RMB'000 (Restated)
0–90 days	**148,991**	**185,599**	**334,590**	181,257	299,651	480,908
91–180 days	**75,553**	**115,350**	**190,903**	87,644	116,071	203,715
181–360 days	**154,990**	**158,903**	**313,893**	208,642	158,084	366,726
1–2 years	**332,342**	**191,436**	**523,778**	120,163	102,666	222,829
2–3 years	**78,990**	**57,639**	**136,629**	36,151	38,872	75,023
Over 3 years	**43,684**	**61,852**	**105,536**	4,544	45,459	50,003
Total	**834,550**	**770,779**	**1,605,329**	638,401	760,803	1,399,204

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As of 31 December 2023, a provision of RMB482,304,000 (2022: RMB228,458,000) was provided against the gross amounts of trade and note receivables (Note 4.1.2).

As of 31 December 2023 and 2022, the trade and note receivables were denominated in RMB, and the fair value of trade and note receivables approximated their carrying amounts.

24. CONTRACT ASSETS

	2023 RMB'000	2022 RMB'000 (Restated)
Contract assets (gross carrying amount)		
Engineering services	**17,413**	20,353

Contract asset, net of contract liability related to the same contract, is recognised over the period in which the engineering services are performed, representing the Group's right to consideration for the services performed and not billed because the rights are conditioned on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers its contract assets to trade receivables when invoice is issued.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The Group applies the simplified approach to provide the ECL prescribed by HKFRS 9. Impairment loss was immaterial.

25. PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Prepayments to suppliers		
— Related parties (Note 36(d))	**6,982**	8,112
— Third parties	**37,194**	35,173
	44,176	43,285
Other receivables		
— Related parties (Note 36(d))	**496,303**	161,434
— Dividend receivable from a related party (Note 36(d))	**—**	30,000
— Payments on behalf of property owners	**58,860**	62,081
— Deposit	**27,343**	28,909
— Refundable deposits (Note)		
— Related parties (Note 36(d))	**—**	1,018,745
— Third parties	**15,000**	95,000
— Others	**25,956**	38,786
	623,462	1,434,955
Less: allowance for impairment of other receivables	**(160,305)**	(307,713)
	463,157	1,127,242
Prepaid tax	**17,687**	12,492
Total	**525,020**	1,183,019

Note:

As of 31 December 2023, the net carrying amounts of refundable deposits receivables due from a related party and third parties, after recognition of expected credit loss, amounted to approximately RMB Nil (2022: RMB760,939,000) and RMB14,946,033 (2022: RMB74,251,000) respectively. For the refundable deposits receivables due from a related party, the Group received approximately RMB392,395,000 and the remaining of RMB626,350,000 are settled as consideration for acquisition of carparks spaces and properties.

26. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2023 RMB'000	2022 RMB'000 (Restated)
Cash on hand	4	146
Bank deposits (a)	660,658	472,865
	660,662	473,011
Less: Restricted bank deposits (b)	(9,120)	(471)
Cash and cash equivalents	651,542	472,540

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

	2023 RMB'000	2022 RMB'000 (Restated)
RMB	660,336	470,791
HKD	322	2,074
	660,658	472,865

(b) As at 31 December 2023, the restricted bank balances are frozen bank accounts due to legal cases. As of 31 December 2022, restricted bank deposits mainly consisted of the deposits made as performance security for certain contracts relating to the maintenance projects and the bid deposits of property management projects, which is required by relevant local government authorities for bidding for property management projects. The relevant deposits will be refunded at the end of the property management service period.

27. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 15 April 2020. As of 31 December 2023, the issued shares was 1,184,000,000 (2022: 1,184,000,000) shares of a par value of HKD0.1 each.

	Number of shares	Amount	
	'000 shares	HK$'000	RMB'000
Issued and fully paid:			
As at 1 January 2022, 31 December 2022 and 31 December 2023	1,184,000	118,400	99,829

28. STATUTORY RESERVE

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

29. OTHER RESERVE

Other reserves mainly include capital injection, deemed distribution and contribution from the ultimate holding company.

30. TRADE AND OTHER PAYABLES

	2023 **RMB'000**	2022 RMB'000 (Restated)
Trade payables		
— Related parties (Note 36(d))	**25,802**	51,990
— Third parties	**725,558**	766,684
	751,360	818,674
Other payables		
— Related parties (Note 36(d))	**27,007**	27,322
— Deposit	**180,253**	177,011
— Amounts collected on behalf of property owner	**160,931**	167,836
— Consideration payable for acquisition of a subsidiary	**8,580**	17,160
— Others	**30,016**	18,107
	406,787	407,436
Dividends payables		
— Non-controlling shareholders	**1,320**	1,320
Accrued payroll and welfare payables	**108,935**	126,213
Other tax payables	**6,661**	9,244
	115,596	135,457
Less: non-current portion	**(15,297)**	(15,805)
Total	**1,259,766**	1,347,082

As of 31 December 2023 and 2022, the carrying amounts of trade and other payables approximated their fair values. The average credit period on trade payables is 90 days.

30. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year	**527,493**	662,212
1–2 years	**121,312**	108,642
2–3 years	**58,439**	32,175
Over 3 years	**44,116**	15,645
Total	**751,360**	818,674

31. DEFERRED INCOME TAX

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

	2023 RMB'000	2022 RMB'000
Deferred tax assets:		
— Deferred tax asset to be realised after more than 12 months	**134,664**	90,875
— Deferred tax asset to be realised within 12 months	**303**	324
	134,967	91,199
Deferred tax liabilities:		
— Deferred tax liability to be settled after more than 12 months	**(44,980)**	(60,031)
— Deferred tax liability to be settled within 12 months	**(7,932)**	(2,828)
	(52,912)	(62,859)
	82,055	28,340

31. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the years of 2023 and 2022, without taking into consideration the offsetting of balances with the same tax jurisdiction is as follows:

	Deferred tax assets— allowance on doubtful debts RMB'000	Deferred tax assets — accrued expenses RMB'000	Deferred tax assets — unrealized gains RMB'000	Deferred tax assets — right-of-use assets and lease liabilities RMB'000	Deferred tax assets — inventories RMB'000	Deferred tax assets — accumulated losses RMB'000	Deferred tax Assets — impact of investment properties RMB'000	Deferred tax liabilities — fair value adjustment arising from business combination RMB'000	Total RMB'000
As of 1 January 2022	21,716	2,650	82	220	—	—	—	(22,948)	1,720
Credited/(charged) to income tax expense	71,111	—	(82)	104	707	14	—	2,828	74,682
Acquisition	1,321	—	—	—	1,370	—	—	(50,753)	(48,062)
As of 31 December 2022	94,148	2,650	—	324	2,077	14	—	(70,873)	28,340
As of 1 January 2023	**94,148**	**2,650**	**—**	**324**	**2,077**	**14**	**—**	**(70,873)**	**28,340**
Credited/(charged) to income tax expense	**14,923**	**—**	**—**	**(21)**	**29,268**	**(14)**	**1,626**	**7,933**	**53,715**
As of 31 December 2023	**109,071**	**2,650**	**—**	**303**	**31,345**	**—**	**1,626**	**(62,940)**	**82,055**

At the end of the reporting period, the Group has unused tax losses of approximately RMB30,480,000 (2022: RMB1,222,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMBnil (2022: RMB56,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. These unrecognised tax losses will expire in various dates up to 2028 (2022: 2027).

As of 31 December 2023, deferred income tax liabilities have not been recognised for the withholding tax that would be payable upon remittance, in respect of the unremitted distributable profits of certain PRC subsidiaries and joint ventures amounting to RMB995,654,000 (2022: RMB844,179,000) and RMB28,952,000 (2022: RMB37,139,000) respectively attributable to the investors outside the PRC as such profits are intended to be reinvested in the PRC.

32. DIVIDENDS

	2023 **RMB'000**	2022 RMB'000
2023 Interim dividend of RMBnil (2022: RMB0.136) per ordinary share paid (a)	—	161,024
2022 Final dividend of RMB0.123 (2021: RMB0.093) per ordinary share paid	**146,109**	110,112
Dividends paid for the year	**146,109**	271,136

(a) The Board has resolved not to declare any payment of interim dividend for the year ended 31 December 2023 (2022: RMB161,024,000).

(b) On 26 March 2024, the Company has proposed a final dividends of RMB17,050,000 (i.e. RMB0.0144 per ordinary share (2022: RMB0.1230 per ordinary share)) for the year ended 31 December 2023. Total final dividend for the year ended 31 December 2022 of RMB146,109,000 (2021: RMB110,112,000) was paid to shareholders.

33. NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Cash and cash equivalents	**651,542**	472,540

33. NOTES SUPPORTING THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities (Note 20) RMB'000
At 1 January, 2022	21,138
Addition of lease liabilities	7,697
Accrued interest expenses	1,727
Cash flows	(13,881)
At 31 December 2022	16,681
At 1 January 2023	**16,681**
Addition of lease liabilities	**938**
Termination of lease	**(7,601)**
Accrued interest expenses	**762**
Cash flows	**(3,114)**
At 31 December 2023	**7,666**

34. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year	**1,698**	1,284
Between 1 and 2 years	**1,698**	1,698
	3,396	2,982

35. BUSINESS COMBINATION

35.1 Business combination not under common control

a) Henan Hexie

On 14 January 2022, the Group completed its acquisition of 51% equity interests in Henan Hexie at a consideration of RMB31,350,000 from a third party. Henan Hexie and its subsidiaries are companies incorporated in the PRC with limited liability. They are principally engaged in the area of property management in Mainland of PRC. Total identifiable net assets of Henan Hexie amounted to RMB27,526,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill. The acquired business of Henan Hexie contributed total revenue of RMB37,705,000 and net profit of RMB5,557,000 to the Group for the period from its acquisition date to 31 December 2022.

	At the date of acquisition RMB'000
Consideration paid	
— in previous year	31,350
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4,627
Inventories	31,900
Property, plant and equipment	498
Intangible assets	10,540
Trade and note receivables	16,733
Deferred tax assets	1,370
Prepayments and other receivables	452
Trade and other payables	(18,267)
Current income tax liabilities	(252)
Contract liabilities	(17,440)
Deferred tax liabilities	(2,635)
Total identifiable net assets	27,526
Less: non-controlling interests (49% share of identifiable net assets)	(13,488)
Net assets acquired	14,038
Goodwill	17,312

The fair value as well as the gross contractual amount of trade and note receivables at the date of acquisition was RMB16,733,000, and fair value as well as the gross contractual amount of other receivables at the date of acquisition was RMB452,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was RMBnil.

Acquisition related cost amounting to RMBnil.

Goodwill of RMB17,312,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

35. BUSINESS COMBINATION (CONTINUED)

35.1 Business combination not under common control (Continued)

a) Henan Hexie (Continued)

Net cash outflow arising on acquisition during the year ended 31 December 2022:

	RMB'000
Cash consideration paid in previous year	(11,200)
Cash and cash equivalents acquired at the acquisition date	4,627
Net cash outflow on the acquisition	(6,573)

b) Tianjin Xihe

On 3 November 2022, the Group completed its acquisition of 100% the equity interests in Tianjin Xihe at a consideration of RMB500,000,000 from an entity controlled by the ultimate holding company and an associate of the ultimate holding company. Tianjin Xihe and its subsidiaries are companies incorporated in the PRC with limited liability. They are principally engaged in the area of property management in Mainland of PRC. Total identifiable net assets of Tianjin Xihe amounted to RMB147,565,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

The acquired business of Tianjin Xihe contributed total revenue of RMB77,160,000 and net profit of RMB10.069.000 to the Group for the period from its acquisition date to 3l December 2022.

If Tianjin Xihe had been consolidated from 1 January 2022, the consolidated statement of comprehensive income for the year ended 31 December 2022 would show pro-forma revenue of RMB3,609,803,000 and profit of RMB118,004,000.

	At the date of acquisition RMB'000
Consideration paid	
— Cash	500,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	31,338
Inventories	53,352
Property, plant and equipment	12,909
Intangible assets	192,470
Trade and note receivables	148,217
Deferred tax assets	1,321
Prepayments and other receivables	49,255
Trade and other payables	(206,957)
Current income tax liabilities	(7,964)
Contract liabilities	(75,028)
Deferred tax liabilities	(48,118)
Non-controlling interests — subsidiaries of Tianjin Xihe	(3,230)
Total identifiable net assets	147,565
Goodwill	352,435

35. BUSINESS COMBINATION (CONTINUED)

35.1 Business combination not under common control (Continued)

b) Tianjin Xihe (Continued)

The fair value as well as the gross contractual amount of trade and note receivables at the date of acquisition was RMB153,810,000, and the fair value as well as the gross contractual amount of other receivables at the date of acquisition was RMB49,255,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected of trade and note receivables and other receivables was RMB5,593,000 and RMBnil respectively.

Acquisition related cost amounting to RMBnil.

Goodwill of RMB352,435,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

Net cash outflow arising on acquisition during the year ended 31 December 2022:

	RMB'000
Cash consideration paid in previous year	(500,000)
Cash and cash equivalents acquired at the acquisition date	31,338
Net cash outflow on the acquisition	(468,662)

35.2 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 36(b).

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

	1 January 2022 RMB'000
Contract assets	15,837
Cash and cash equivalents	298
Trade and other receivables	183,361
Current tax liabilities	(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 distribution paid for the acquisition of 100% issued share capital of Sino-Ocean Mechatronics was amounted to RMB58,799,000.

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

	Name	Relationship
(1)	Sino-Ocean Group	Ultimate holding company
(2)	Dajia Insurance Group Company Limited	Shareholder of the ultimate holding company of the Group
(3)	Shine Wind	Intermediate holding company
(4)	Beijing Best	Joint venture
(5)	Chongqing Tengji	Joint venture

(b) Transactions with related parties

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 year ended 31 December 2023 and 2022:

	2023 RMB'000	2022 RMB'000 (Restated)
Provision of goods and services		
— A joint venture	**547**	722
— Entities controlled by the ultimate holding company	**248,172**	426,151
— Entities over which the ultimate holding company has significant influence and joint control	**215,947**	312,663
— A shareholder of the ultimate holding company of the Group	**6,901**	21,681
	471,567	761,217
Purchase of goods and services		
— A joint venture	**81,636**	116,487
— Entities controlled by the ultimate holding company	**550,311**	40,150
— Entities over which the ultimate holding company has significant influence and joint control	**66,691**	22,718
— A shareholder of the ultimate holding company of the Group	**5**	—
	698,643	179,355
Recognition of investment properties on leased assets		
— An entity controlled by the ultimate holding company	**—**	75,581
Recognition of right-of-use assets		
— Entities controlled by the ultimate holding company	**55**	34

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

	2023 RMB'000	2022 RMB'000 (Restated)
Lease liability interest expenses		
Entities controlled by the ultimate holding company	**12**	1,074
Entities over which the ultimate holding company has significant influence and joint control	**—**	46
	12	1,120
Deposits receivable from entities controlled by the ultimate holding company		
At 1 January	**118,467**	54,445
Amounts advanced during the year	**188,390**	70,386
Repayments during the year	**(79,385)**	(6,364)
At 31 December	**227,472**	118,467
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 year	**196,567**	7,742
Repayments during the year	**(520)**	(5,010)
At 31 December	**215,415**	19,368
Refundable deposits from entities controlled by the ultimate holding company (Note)		
At 1 January	**1,018,745**	—
Amounts advanced during the year	**—**	3,245,268
Repayments during the year	**(1,018,745)**	(2,226,523)
At 31 December	**—**	1,018,745

	2023 RMB'000	2022 RMB'000
Acquisition of 100% of the equity interest in Sino-Ocean Mechatronics		
An entity controlled by the ultimate holding company	**58,799**	—

(c) Key management compensation

	2023 RMB'000	2022 RMB'000 (Restated)
Salaries, bonuses and other benefits	**12,505**	13,788

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties

	Gross carrying amount 2023 RMB'000	**Carrying amount 2023 RMB'000**	Gross carrying amount 2022 RMB'00 (Restated)	Carrying amount 2022 RMB'000 (Restated)
Trade and note receivables				
— Entities controlled by the ultimate holding company	**505,405**	**333,547**	417,340	327,098
— Entities over which the ultimate holding company has significant influence and joint control	**327,033**	**261,815**	220,551	210,676
— A shareholder of the ultimate holding company of the Group	**2,112**	**1,802**	510	497
	834,550	**597,164**	638,401	538,271
Other receivables				
— A joint venture	**—**	**—**	30	30
— Entities controlled by the ultimate holding company	**272,143**	**189,190**	1,159,358	879,443
— Entities over which the ultimate holding company has significant influence and joint control	**224,160**	**163,529**	50,791	50,534
	496,303	**352,719**	1,210,179	930,007

	2023 RMB'000	2022 RMB'000
Prepayments		
— A joint venture	**1,612**	—
— Entities controlled by the ultimate holding company	**5,370**	8,112
	6,982	8,112
Trade payables		
— A joint venture	**17,215**	39,669
— Entities controlled by the ultimate holding company	**7,003**	5,224
— Entities over which the ultimate holding company has significant influence and joint control	**1,584**	7,097
	25,802	51,990

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (Continued)

	2023 RMB'000	2022 RMB'000 (Restated)
Other payables		
— Entities controlled by the ultimate holding company	**13,875**	—
— Entities over which the ultimate holding company has significant influence and joint control	**13,132**	18,831
— A shareholder of the ultimate holding company of the Group	**—**	8,491
	27,007	27,322
Contract liabilities		
— A joint venture	**—**	13
— Entities controlled by the ultimate holding company	**9,505**	7,445
— Entities over which the ultimate holding company has significant influence and joint control	**12,439**	5,140
— A shareholder of the ultimate holding company of the Group	**10**	—
	21,954	12,598
Lease liabilities		
— Entities controlled by the ultimate holding company	**34**	9,339
— Entities over which the ultimate holding company has significant influence and joint control	**—**	632
	34	9,971

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company:

	As of 31 December	
	2023	2022
	RMB'000	RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	**—***	—*
Prepayment and other receivables	**1,204,956**	1,355,722
Total non-current assets	**1,204,956**	1,355,722
Current assets		
Prepayments and other receivables	**160**	99
Cash and cash equivalents	**1,644**	10,634
Total current assets	**1,804**	10,733
Total assets	**1,206,760**	1,366,455
Equity		
Share capital (note 27)	**99,829**	99,829
Reserves (a)	**1,170,400**	1,316,509
Accumulated losses (a)	**(67,471)**	(50,503)
Total equity	**1,202,758**	1,365,835
Liabilities		
Current liabilities		
Account and other payables	**4,002**	620
Total liabilities	**4,002**	620
Total equity and liabilities	**1,206,760**	1,366,455

* Less than RMB1,000

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 26 March 2024 and was signed on its behalf by:

Yang Deyong
Executive Director

Zhu Geying
Executive Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Other reserves RMB'000
At 1 January 2022	(33,648)	1,587,645
Loss for the year	(16,855)	—
Dividends	—	(271,136)
At 31 December 2022 and 1 January 2023	**(50,503)**	**1,316,509**
Loss for the year	**(16,968)**	**—**
Dividends	**—**	**(146,109)**
At 31 December 2023	**(67,471)**	**1,170,400**

38. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2023 is set forth below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	Salaries RMB'000	Bonuses RMB'000	Director's fees RMB'000	Housing allowance RMB'000	Contributions to a retirement benefit scheme RMB'000	Other allowance and benefit in kind RMB'000	Total RMB'000
Executive directors							
Yang Deyong (Chief Executive officer and Joint Chairman)	1,620	1,158	–	32	63	77	2,950
Zhu Geying	900	630	–	32	63	55	1,680
Non-Executive Directors							
Cui Hongjie (Joint Chairman)	–	–	–	–	–	–	–
Zhu Xiaoxing	–	–	–	–	–	–	–
Independent Non-Executive Directors							
Guo Jie	–	–	544	–	–	–	544
Ho Chi Kin Sammy (note (ii))	–	–	544	–	–	–	544
Leung Wai Hung (note (ii))	–	–	544	–	–	–	544
	2,520	1,788	1,632	64	126	132	6,262

38. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2022 is set forth below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	Salaries RMB'000	Bonuses RMB'000	Director's fee RMB'000	Housing allowance RMB'000	Contributions to a retirement benefit scheme RMB'000	Other allowance and benefit in kind RMB'000	Total RMB'000
Executive directors							
Yang Deyong (Chief Executive officer and Joint Chairman)	1,620	1,555	–	36	57	63	3,331
Zhu Geying	900	840	–	35	58	54	1,887
Non-Executive Directors							
Cui Hongjie (Joint Chairman)	–	–	–	–	–	–	–
Zhu Xiaoxing	–	–	–	–	–	–	–
Independent Non- Executive Directors							
Guo Jie	–	–	366	–	–	–	366
Xue Jun (note (i))	–	–	147	–	–	–	147
Zhu Lin (note (i))	–	–	147	–	–	–	147
Ho Chi Kin Sammy (note (ii))	–	–	222	–	–	–	222
Leung Wai Hung (note (ii))	–	–	220	–	–	–	220
	2,520	2,395	1,102	71	115	117	6,320

Notes:

(i) In August 2022, Dr. Xue Jun and Mr. Zhu Lin were resigned as independent non-executive directors of the Company.

(ii) In August 2022, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung were appointed as independent non- executive directors of the Company.

(b) There were no retirement benefits paid to or receivable by directors during the year ended 31 December 2023 by defined contribution pension plans (2022: nil).

(c) There were no director's termination benefits subsisted during the year ended 31 December 2023 (2022: nil).

(d) There was no consideration provided to third parties for making available directors' services subsisted during the year ended 31 December 2023 (2022: nil).

(e) During the year ended 31 December 2023, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors of the Company or of any its holding companies, or bodies corporate controlled by and entities connected with such directors (2022: nil).

38. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(f) During the year ended 31 December 2023, there were no significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the year ended 31 December 2023 or at any time during the year ended 31 December 2023 (2022: nil).

(g) During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the above directors as an inducement to join or upon joining the Group or as compensation for losses of office.

FIVE-YEAR FINANCIAL SUMMARY

	2023 **RMB'000**	2022 RMB'000 (Restated)	2021 RMB'000 (Restated)	2020 RMB'000 (Restated)	2019 RMB'000 (Restated)
Revenue	**3,133,209**	3,330,136	3,066,561	2,127,490	1,854,820
Gross profit	**597,739**	772,685	827,251	516,296	377,651
Profit attributable to owners of the Company	**42,148**	75,745	437,458	254,279	206,460
Total assets	**4,039,180**	4,260,387	4,027,840	3,286,512	4,312,369
Total liabilities	**1,893,470**	1,952,129	1,538,643	1,181,700	3,821,951
Equity attributable to owners of the Company	**2,099,197**	2,257,158	2,457,352	2,081,890	468,090
Total equity	**2,145,710**	2,308,258	2,489,197	2,104,812	490,418

GLOSSARY

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

"2023 ESG Report"	the ESG report of the Company for the year ended 31 December 2023
"AGM"	the annual general meeting of the Company
"Articles"	the amended and restated articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Board Committees"	the Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC"	the People's Republic of China, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this annual report
"Code of Conduct"	the code of conduct regarding Directors' securities transactions adopted by the Company
"Company" or "Sino-Ocean Service"	Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 06677)
"Company Secretary"	the company secretary of the Company
"Deed of Non-competition"	the deed of non-competition dated 30 November 2020 executed by the controlling Shareholders in favor of the Company (for itself and as trustee for each member of the Group), details of which are set forth in the paragraphs headed "NON-COMPETITION UNDERTAKING" in the section of "RELATIONSHIP WITH CONTROLLING SHAREHOLDERS" in the Prospectus
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting 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"	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"	31 March 2024, being the latest practicable date prior to the issue of this annual 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 C3 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 under the laws of the PRC with limited liability, which is 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 Registrar"	the Company's Hong Kong branch share registrar, Tricor Investor Services Limited
"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
"Shine Wind"	Shine Wind Development Limited (耀勝發展有限公司), a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Sino-Ocean Holding and a controlling Shareholder
"Sino-Ocean Connected Persons"	Sino-Ocean Holding and its associates, excluding, for the avoidance of doubt, the Group
"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 the 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
"SOG China"	Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sino-Ocean Holding
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	United States dollars, the lawful currency of the United States
"YoY"	year-on-year
"%"	per cent

Note:

In this annual 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.

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