遠洋服務
SINO-OCEAN SERVICE

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND CHANGE OF COMPANY'S WEBSITE

RESULTS HIGHLIGHTS

- As of 31 December 2020, the contracted GFA was approximately 71.1 million sq.m., GFA under management was approximately 45.5 million sq.m., and reserved GFA was 25.6 million sq.m., representing an increase of approximately 20%, 12% and 35% respectively as compared to that of 31 December 2019.

- Revenue increased by 11% to RMB2,023.3 million as compared to that of 2019.

- Gross profit increased significantly by 36% to RMB511.3 million as compared to that of 2019. Gross profit margin was 25.3%, representing an increase of 4.7 percentage points as compared to 2019.

- Profit attributable to owners of the Company increased by 25% to RMB257.6 million as compared to 2019. Basic earnings per share increased by 26% to RMB0.29 as compared to 2019.

- Core profit (excluding interest income from loans due from the ultimate holding company, the interest expense associated with the asset-backed securities, other one-off gains or losses, and the resultant income tax effect) increased significantly by 44% from RMB173.2 million in 2019 to RMB250.0 million in 2020.

- The Board is pleased to propose a final dividend of RMB0.055 per share (equivalent to HKD0.066 per share), in the form of cash.

Sino-Ocean Service Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 06677

The board of directors (the "Board") of Sino-Ocean Service Holding Limited (the "Company" or "Sino-Ocean Service") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively "our Group", "the Group" or "we") for the year ended 31 December 2020.

Sino-Ocean Service is a mid to high-end comprehensive property management service provider carefully nurtured and created by Sino-Ocean Group Holding Limited ("Sino-Ocean", together with its subsidiaries "Sino-Ocean Group"). Established in 1997, our vision is to 'become a branded superior integrated property management service provider in China'. We focus on raising service standards and operation quality, encouraging all staff members to provide services to customers' entire satisfaction, creating sound return to shareholders, building a stage for career advancement and the necessary value for society. After 23 years of hard-work Sino-Ocean Service has established its own status and influence in the property management services industry in China. According to China Index Academy, Sino-Ocean Service ranked 13th and 11th in terms of overall strength and growth potential among The Top 100 Property Management Companies in China in 2019, and was also recognized as one of the eight 2020 Excellent Property Management Companies for Commercial Property Management.

Sino-Ocean Service was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 December 2020 (the "Listing Date") gaining recognition from the international capital market of its business model, competitive edge and development prospects. The initial public offering also brought significant changes for the Group: firstly the Company received blessing from the capital market on its capital, brand and credit, adding strength in business expansion and mergers and acquisitions, and boosting GFA under management and profitability. Secondly it provides additional equity and financing channels, and more flexible capital maneuvering to support the Company's independent business development. Thirdly, a solid management mechanism and sound governance will be set up as Sino-Ocean Service evolves into a group. We will take advantage of all these benefits, grasp opportunities in a fast-moving environment and strive assiduously to make our dream a reality.

In pursuing rapid expansion, we will remain true to our original aspiration and the very foundation of our development. Firstly, going public is a catalyst for Sino-Ocean Service. It permanently places operation management in the very core position, and elevates its quality and standard to create value for shareholders and investors. Secondly, customer service is Sino-Ocean Service's permanent principal business. We keep our focus squarely on customers and build other businesses tightly around providing services to their entire satisfaction. Thirdly, our core competitive edge is our staff, on whom we rely closely. We spare no efforts in enhancing their caliber, professional capacity and remuneration, providing a stage for career advancement and fulfilling their pursuit of a good life.

MARKET REVIEW AND OUTLOOK

Driven by increasing spending on services, transformation of the industry and urbanization, property management business in our opinion is in prime time. The industry is hitting a high point in terms of talents and strategic attention. Trust between property owners and service providers is becoming stronger and demand for services becomes more eager. Technology empowerment is also more visible. Owners have an appetite for value-added services and are more willing to pay for them. Ten ministries including the Ministry of Housing and Urban-Rural Development released the 'Notice on strengthening and improving the management of residential property'. This policy facilitates outsourcing to third-party, expands the market, assures the significance of the industry among the fundamentals and the market-oriented direction. It also provides support for pricing mechanism, multi-faceted operations, technology augmentation and application of maintenance funds. There is a high certainty for rapid growth in the medium term and enormous potential for long term expansion.

A new window is forthcoming as the industry is rapidly consolidating and a higher degree of concentration is foreseeable. Looking ahead, as the business scope of property management companies continues to expand, market expansion capabilities and channels enlarge, and industry consolidates with the help of capital, branded enterprises' competitive edge will be even more apparent. Excellent service and leading brands will win owners' recognition and satisfaction and subsequently wider scope for development. In the past year there was a wave of property services listings. In view of the industry's light asset nature, high probability of growth and backing by policies, the capital market is showing considerable recognition. Property management companies will take advantage of the capital market to widen financing channels, drive exponential growth and lay a solid base for the billion level market.

RESULT REVIEW

2020 results

For the year ended 31 December 2020, the Group's revenue was approximately RMB2,023.3 million, representing an increase of 10.6% as compared to that in 2019. Gross profit was approximately RMB511.3 million, up 35.7% year-on-year. Profit for the year was approximately RMB262.6 million, up 27.9% from 2019. Gross profit margin was 25.3%, increased by 4.7 percentage points as compared to 2019. Net profit margin was 13.0%, 1.8 percentage points higher than that of 2019. Profits attributable to owners of the Company rose from approximately RMB206.5 million in 2019 to approximately RMB257.6 million, representing a growth of approximately 24.7%. Basic earnings per share was RMB0.29, up approximately 26.1%. The Group's net cash from operating activities reached RMB361.4 million. The Board is pleased to propose a final dividend of RMB0.055 per share for the year ended 31 December 2020.

As at 31 December 2020, the Group's GFA under management and contracted GFA were 45.5 million sq.m. and 71.1 million sq.m., rose by 12.1% and 19.7% respectively compared to 31 December 2019. Growth in contracted GFA was considerably higher than that of GFA under management, increasing the reserved GFA that will turn into GFA under management and ensuring future growth. Cumulative contracted GFA from third-parties (including contribution from merger and acquisition) reached 23.4 million sq.m., up 65.0% as compared to 31 December 2019, representing 32.9% of total contracted GFA.

BUSINESS REVIEW

Our services include three main business lines: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners, which form an integrated service offering to our customers along the value chain of property management.

Property management services

We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening and repair and maintenance services.

Our property management portfolio covers both residential and non-residential properties including commercial properties (such as office buildings, shopping malls and hotels) and public and other properties (such as hospitals, public service facilities, government buildings and schools).

During the year ended 31 December 2020, we charged property management fees for property management services substantially on a lump sum basis, with a small portion charged on a commission basis.

As of 31 December 2020, our contracted GFA was approximately 71.1 million sq.m., and GFA under management was approximately 45.5 million sq.m., representing an increase of approximately 19.7% and 12.1% respectively as compared to 31 December 2019. Our reserved GFA, as the main source of the GFA under management, reached a new high of 25.6 million sq.m., representing an increase of 35.4% compared with 18.9 million sq.m. as of 31 December 2019, or a net increase of 6.7 million sq.m., laying a solid foundation for the stable growth of the Group.

We manage a variety of properties, including residential and non-residential properties. We have accumulated profound experience in managing non-residential properties, including office buildings, commercial buildings, urban complexes, public properties, office towers, industrial parks, etc., with mature cross-business service capabilities. In particular, we have gained rich property management experience in the field of high-end commercial and office buildings, such as the service experience in benchmark projects including Ocean International Center (Beijing), INDIGO (Beijing), Sino-Ocean Taikoo Li Chengdu (Chengdu), Grand Canal Place (Hangzhou), etc. In 2020, the average property management fees of our commercial properties reached RMB17.6/sq.m./month, far higher than the industry average. At the same time, our commercial properties are mainly located in first-and second-tier cities such as Beijing, Tianjin, Hangzhou and Chengdu, covering the Beijing-Tianjin-Hebei region, Bohai Rim region and other regions in China, which provided a good foundation for us to demonstrate our economies of scale and optimize our service quality.

In 2020, we have utilized resources of shareholders in gaining the Beijing headquarters of Dajia Insurance project, and at the same time seized market opportunities to obtain more businesses in the non-residential market, such as expressway service stations and scenic tourist spots.

The table below sets forth the breakdown of our GFA under management on the dates indicated and revenue from property management services by property type for the years ended 31 December 2020 and 2019:

	As at 31 December or for the years ended 31 December					
	2020			2019		
	GFA under management	**Revenue**		GFA under management	Revenue	
	'000 sq.m.	***RMB'000***	***%***	*'000 sq.m.*	*RMB'000*	*%*
Residential communities	**39,171**	**886,876**	**66.2**	36,359	818,004	67.1
Non-residential properties						
– Commercial properties	**2,549**	**360,483**	**26.9**	2,415	335,908	27.5
– Public and other properties	**3,730**	**91,897**	**6.9**	1,755	65,729	5.4
Total	**45,450**	**1,339,256**	**100.0**	40,529	1,219,641	100.0

While receiving strong support from Sino-Ocean Group, we are also actively working towards the open market in diversified ways. We will take the projects we have already obtained as the starting point and continue to penetrate into the local region, so as to achieve the expansion of the scale of GFA under management and the density increase of projects in the local cities. We have gained our market share by expanding resources to independent markets by participating in the bidding processes for their development projects. In 2020, we have obtained the management right of some first-hand projects externally with 9.1 million sq.m. contracted GFA newly added, representing an increase of 1,063% as compared to that of 2019.

The table below sets forth the breakdown of our GFA under management on the dates indicated and revenue from property management services by the source of the projects for the years ended 31 December 2020 and 2019:

	As at 31 December or for the years ended 31 December							
	2020				2019			
	GFA under management		**Revenue**		GFA under management		Revenue	
	'000 sq.m.	***%***	***RMB'000***	***%***	*'000 sq.m.*	*%*	*RMB'000*	*%*
Properties developed/owned by the Sino-Ocean Group (including its joint ventures and associates)	**32,030**	**70.5**	**1,049,709**	**78.4**	29,375	72.5	993,927	81.5
Properties developed/owned by other third parties[1]	**13,420**	**29.5**	**289,547**	**21.6**	11,154	27.5	225,714	18.5
Total	**45,450**	**100.0**	**1,339,256**	**100.0**	40,529	100.0	1,219,641	100.0

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.

Our projects cover 62 cities across 24 provinces, municipalities and autonomous regions in China as of 31 December 2020. Our geographical coverage has expanded from the Beijing-Tianjin-Hebei region to the Bohai Rim region and other regions of China, covering 5 major city clusters in China. The regional planning is concentrated in core first-and second-tier cities, and the proportionate share of GFA under management in the first-and second-tier cities reached 90.7%. We have significant advantages in Beijing-Tianjin-Hebei region and Bohai Rim region. At the same time, following 'the south and west' strategy of Sino-Ocean Group, we have gradually increased the proportionate share of GFA under management in Eastern China, Southern China, Central and Western China region. Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China, Southern China and Central and Western China region accounted for 30.5%, 29.8%, 14.7%, 14.1% and 10.9% of our GFA under management as at 31 December 2020.

The table below sets forth a breakdown of our contracted GFA, GFA under management by geographic location on the dates indicated and revenue generated from property management services for the years ended 31 December 2020 and 2019 respectively:

	As at 31 December or for the years ended 31 December							
	2020				2019			
	Contracted GFA	**GFA under management**	**Revenue**		Contracted GFA	GFA under management	Revenue	
	'000 sq.m.	***'000 sq.m.***	***RMB'000***	***%***	*'000 sq.m.*	*'000 sq.m.*	*RMB'000*	*%*
Beijing-Tianjin-Hebei region[1]	**19,279**	**13,869**	**574,571**	**42.9**	17,815	13,585	546,364	44.8
Bohai Rim region[2]	**17,936**	**13,542**	**295,194**	**22.1**	14,277	11,782	270,308	22.2
Eastern China region[3]	**10,149**	**6,679**	**233,033**	**17.4**	9,555	6,079	209,532	17.2
Southern China region[4]	**12,090**	**6,420**	**159,614**	**11.9**	8,723	4,847	132,269	10.8
Central and Western China region[5]	**11,629**	**4,940**	**76,844**	**5.7**	9,034	4,236	61,168	5.0
Total	**71,083**	**45,450**	**1,339,256**	**100.0**	59,404	40,529	1,219,641	100.0

Note:

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

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

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

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

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

According to the city classification by China Business Network in 2020, the table below sets out the contracted GFA and GFA under management in different city-tiers where our projects are mainly located in as at 31 December 2020:

	Contracted GFA		GFA under management	
	'000 sq.m.	*%*	*'000 sq.m.*	*%*
First-tier cities[1]	13,030	18.3	10,771	23.7
New first-tier cities[2]	26,539	37.3	15,337	33.7
Second-tier cities[3]	22,312	31.4	15,143	33.3
Other cities	9,202	13.0	4,199	9.3
Total	71,083	100.0	45,450	100.0

Note:

1) First-tier cities include Beijing, Shanghai, Guangzhou and Shenzhen.

2) New first-tier cities include Chengdu, Hangzhou, Chongqing, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Changsha, Zhengzhou, Dongguan, Qingdao, Shenyang, Hefei and Foshan.

3) Second-tier cities include Ningbo, Kunming, Wuxi, Dalian, Fuzhou, Xiamen, Harbin, Jinan, Wenzhou, Nanning, Changchun, Quanzhou, Shijiazhuang, Guiyang, Nanchang, Jinhua, Changzhou, Nantong, Jiaxing, Taiyuan, Xuzhou, Huizhou, Zhuhai, Zhongshan, Taizhou, Yantai, Lanzhou, Shaoxing, Baoding and Langfang.

The revenue from the property management business of the Group is mainly collected under lump sum basis, accounting for 99.89% (2019: 99.97%) of the revenue from the property management business. The Group adopts the lump sum basis for a majority of its projects to help improve service quality and operational efficiency.

Community value-added services

In 2020, the Group continued to 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;

ii) community living services; and

iii) property brokerage services.

Our revenue from community value-added services for the year ended 31 December 2020 was approximately RMB316.2 million, an increase of 33.2% year-on-year, accounting for 15.6% of the Group's total revenue, which increased by 2.6 percentage points as compared to the previous year.

The following table sets forth the breakdown of our revenue from community value-added services by service type for 2020 and 2019 respectively:

	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Community asset value-added services[1]	**245,185**	**77.5**	162,847	68.6
Community living services[2]	**38,505**	**12.2**	33,782	14.2
Property brokerage services[3]	**32,481**	**10.3**	40,662	17.2
Total	**316,171**	**100.0**	237,291	100.0

Note:

1) Mainly include carpark management services, utility management services and community space operation services (including publishing advertisement in common areas, leasing community properties and facilities, and common area maintenance services), etc.

2) Mainly include housekeeping and cleaning services, repair and maintenance services of home appliances, electric equipment and permanent fixtures, purchase assistance for groceries and seasonal products, decoration, turnkey furnishing and move-in and other bespoke services.

3) Mainly include sales transactions of self-owned parking spaces, act as an agent in the resale or lease transactions of owner's properties and parking spaces, etc.

Value-added services to non-property owners

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

i) pre-delivery services to property developers;

ii) consultancy services; and

iii) property engineering services.

Our revenue from value-added services to non-property owners for the year ended 31 December 2020 was approximately RMB367.9 million, a decrease of 1.3% as compared to last year, accounting for 18.2% of the Group's total revenue.

The following table sets forth the breakdown of our revenue from value-added services to non-property owners by service type for 2020 and 2019 respectively:

	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Pre-delivery services[1]	**197,653**	**53.7**	250,442	67.2
Consultancy services[2]	**58,605**	**15.9**	61,027	16.4
Property engineering services[3]	**111,634**	**30.4**	61,174	16.4
Total	**367,892**	**100.0**	372,643	100.0

Note:

1) Mainly represents assistance to property developers for pre-delivery services for their sales and marketing activities at property sales venues and display units, so as to create high-quality service brand for property developers among potential property buyers.

2) Mainly represents consultancy services to property developers at an early stage of their property development on the overall planning of properties and coordination of their relevant pre-sale activities to avoid possible planning defects 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

- Improving the regional layout: focusing on the core regions, continue to take root in the Beijing-Tianjin-Hebei region and the Bohai Rim region, closely coordinate with Sino-Ocean Group to develop the principal business, and continue to give full play to the Group's advantages of accounting a high proportion in first-and second-tier cities; expand the Eastern and Southern China regions and tap into the core high-value cities to improve the scale effect and market expansion capabilities; strategically make deployment in the Central and Western China region, and gradually establish a firm foothold in this new market through the "endogenous + external expansion + mergers and acquisitions".

- Enriching service models: focusing on principal business, using residential properties as a basis, actively promote service brands in non-residential properties such as commercial enterprise services and urban services, and create a professional service system. For residential services, we will expand the scale of management through collaborating our shareholders' resources, mergers and acquisitions, and the transformation of smart communities. For commercial and enterprise services, we will leverage the Group's existing brand and management experience advantages, to continue to develop and expand its management scale. For urban sanitation, greening, asset services and many other urban services, since the market is still in its infancy and there is still much room to develop, the Group will choose a suitable strategy, including joint venture holding, controlling by small proportion of shareholding and entrusted management to enter into the business.

- Expanding service boundaries: leveraging high-quality property management services as a basis, develop our value-added services to non-property owners and actively expand our community value-added services. For value-added services to non-property owners, the Company will provide full-cycle value-added services to non-property owners on the basis of collaborating our shareholder's resources, and actively develop external expansion to increase the revenue from external customers. For community value-added services, we will deeply explore the needs and resources of property owners to create growth in the community value-added services, thus creating a better life for the community, and enhancing the value of our assets.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2020 increased by 10.6% to RMB2,023.3 million, from RMB1,829.6 million in 2019. Property management services segment remained the largest contributor which accounted for about 66.2% of total revenue.

The following table sets forth the breakdown of our total revenue by business lines for the years ended 31 December 2020 and 2019 respectively:

	2020		2019		Changes
	RMB'000	***%***	*RMB'000*	*%*	*%*
Property management services	**1,339,256**	**66.2**	1,219,641	66.6	9.8
Community value-added services	**316,171**	**15.6**	237,291	13.0	33.2
Value-added services to non-property owners	**367,892**	**18.2**	372,643	20.4	(1.3)
Total	**2,023,319**	**100.0**	1,829,575	100.0	10.6

Revenue from property management services increased by 9.8% to RMB1,339.3 million in 2020 from RMB1,219.6 million in 2019. This increase was mainly attributable to an increase in our GFA under management, which reached 45.5 million sq.m. as at 31 December 2020 and an increase in the number of properties under management, which increased to 238 as at 31 December 2020, as we expanded our business.

Revenue from community value-added services increased by 33.2% to RMB316.2 million in 2020 from RMB237.3 million in 2019. The increase was primarily due to an increase in revenue from community asset value-added services by 50.6% to RMB245.2 million in 2020 from RMB162.8 million in 2019 contributed by the increase in the carpark management area. Such increase was partially offset by the decrease in revenue from property brokerage services by 20.1% since the demand for such value-added services has decreased as affected by the outbreak of 2019 Novel Coronavirus ("COVID-19").

Revenue from value-added services to non-property owners decreased by 1.3% to RMB367.9 million in 2020 from RMB372.6 million in 2019. The decrease was mainly driven by the decrease in revenue from pre-delivery services by 21.0% to RMB197.7 million in 2020 from RMB250.4 million in 2019. The decrease in revenue from pre-delivery services was primarily due to delay in opening of certain sales venues as affected by the COVID-19 outbreak. Such decrease is partially offset by an increase in revenue from property engineering services by 82.4% to RMB111.6 million in 2020 from RMB61.2 million in 2019.

Cost of sales

Cost of sales increased by 4.1% to RMB1,512.0 million for the year ended 31 December 2020 from RMB1,452.9 million for the year ended 31 December 2019. This increase was mainly attributable to an increase in cost of sales for property management services and community asset value-added services, partially offset by a decrease in cost of sales for value-added services to non-property owners.

During the year, as affected by the outbreak of COVID-19, the cost of consumables and raw materials increased by RMB16.0 million or 28.7%, which was mainly due to the additional procurement costs for protective supplies such as masks, gloves and disinfectant for our property management staff. Our maintenance expenses related to our provision of services has increased by RMB17.7 million or 12.6%, which is in line with our increased properties under management. The increase in cost of sales was partially offset by a decrease in staff cost by RMB11.5 million since (i) we were entitled to certain exemptions from contributions of social insurance primarily in relation to the pension plans by the local governments in response to the outbreak of COVID-19 and (ii) we strengthened our cost control by optimizing the allocation of labor.

Gross profit and gross profit margin

Gross profit increased by 35.7% to RMB511.3 million for the year ended 31 December 2020 from RMB376.7 million for the year ended 31 December 2019. Our overall gross profit margin increased to 25.3% for the year ended 31 December 2020 from 20.6% for the year ended 31 December 2019 primarily due to the increased contribution in revenue by community value-added services which recorded a higher gross profit margin and the increase in gross profit margins for all three business lines since we had a lesser increase in cost of sales than revenue which was attributable to our efforts in cost control and decrease in staff cost.

Gross profit and gross profit margin of the Group by business lines were as follows:

	2020		2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Property management services	**239,638**	**17.9**	167,162	13.7
Community value-added services	**197,340**	**62.4**	141,481	59.6
Value-added services to non-property owners	**74,323**	**20.2**	68,036	18.3
Total	**511,301**	**25.3**	376,679	20.6

Gross profit margin for property management services increased to 17.9% for the year ended 31 December 2020 from 13.7% for the year ended 31 December 2019 primarily due to lower cost of sales benefited from the exemptions from contributions of social insurance by the local government and various cost control measures implemented.

Gross profit margin for community value-added services increased to 62.4% for the year ended 31 December 2020 from 59.6% for the year ended 31 December 2019 primarily due to an increase in revenue contribution for community asset value-added services which generally had a higher gross profit margin.

Gross profit margin for value-added services to non-property owners increased to 20.2% for the year ended 31 December 2020 from 18.3% for the year ended 31 December 2019 primarily due to an increase in gross profit margin for pre-delivery services as we have paid efforts in cost control including better staff deployment and centralized procurement of sub-contracting services.

Among the business lines, our community value-added services generally recorded a higher gross profit margin as we can utilize our existing resources from provision of property management services and incur less direct cost, in particular, staff cost.

Other income and other net (losses)/gains

Other income decreased by 23.0% to RMB173.5 million for the year ended 31 December 2020 from RMB225.4 million for the year ended 31 December 2019. This decrease was mainly attributable to a decrease of RMB67.0 million in interest income from loans due from related parties since the loan was early settled in full during the year, and partially offset by an increase of RMB12.5 million in government grants as certain local governments provided (i) subsidies to us, as property management companies in the PRC, in light of the outbreak of COVID-19; and (ii) deduction of input value-added tax applicable to certain of our subsidiaries.

We recorded other net losses of RMB10.2 million for the year ended 31 December 2020 as compared to a net gain of RMB3.1 million for the year ended 31 December 2019 due to an increase of RMB13.4 million in net foreign exchange losses.

Operating expenses

Selling and marketing expenses increased by 74.4% to RMB15.7 million for the year ended 31 December 2020 from RMB9.0 million for the year ended 31 December 2019. The increase was due to our vigorous business promotion campaigns for community value-added services and more community activities were held accordingly during the year.

Administrative expenses increased by 27.0% to RMB182.8 million for the year ended 31 December 2020 from RMB143.9 million for the year ended 31 December 2019. This increase was primarily due to the incurrence of listing expenses in the amount of RMB37.5 million during the year.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by 119.7% to RMB31.2 million for the year ended 31 December 2020 from RMB14.2 million for the year ended 31 December 2019, the increase was primarily due to the increase of overall expected loss rate.

Fair value gains on investment properties

Fair value gains on investment properties decreased to RMB0.6 million for the year ended 31 December 2020 from RMB1.1 million for the year ended 31 December 2019. The fair value gains were mainly attributable to an increase in fair value of carpark spaces we held as investment properties.

Finance cost

Finance cost decreased by 24.1% to RMB131.4 million for the year ended 31 December 2020 from RMB173.1 million for the year ended 31 December 2019, which was mainly attributable to a decrease of RMB40.6 million in interest expenses of asset-backed securities since we have early repaid it in full during the year pursuant to the asset-backed securities agreement.

Share of results in joint ventures

Share of results in joint ventures increased by RMB15.8 million to RMB16.1 million for the year ended 31 December 2020 from RMB0.3 million for the year ended 31 December 2019. The significant increase was mainly attributable to the share of profit from the 50% equity interest in 2 property management companies we acquired on 30 June 2020. For details of the acquisitions, please refer to the section headed "Material acquisitions and disposals of subsidiaries, associates and joint ventures".

Taxation

In line with the increase of revenue, income tax expense increased by 10.6% to RMB67.6 million for the year ended 31 December 2020 from RMB61.1 million for the year ended 31 December 2019. Effective tax rate in 2020 was 20.3% (2019: 22.6%), and the decrease of effective tax rate was due to the increase in proportionate share of profit before income tax due to the increase in share of post-tax share of results in joint ventures.

Profit attributable to owners of the Company

Benefiting from the increase of revenue in 2020, the profit attributable to owners of the Company increased by 24.7% to approximately RMB257.6 million, as compared to RMB206.5 million for 2019. Our management will continue to focus on the improvement of our Shareholders' return as their on-going task.

Investment properties

Our investment properties represented certain community facilities and carpark spaces located in the PRC which are held to earn rentals and for capital appreciation. As at 31 December 2020, the Group's investment properties increased to approximately RMB85.5 million from approximately RMB84.9 million as at 31 December 2019. The slight increase was mainly caused by the change in fair value.

Property, plant and equipment

Property, plant and equipment mainly consisted of electronic equipment, leasehold improvements, office equipment and vehicles. As at 31 December 2020, the Group's property, plant and equipment decreased to approximately RMB20.2 million from approximately RMB25.3 million as at 31 December 2019 primarily due to disposal of old electronic equipment and office equipment, coupled with depreciation.

Intangible assets

Our intangible assets comprised of computer software, property management contracts and customer relationship, trademark and goodwill. As at 31 December 2020, the Group's intangible assets decreased by 4.8% to RMB107.0 million from RMB112.4 million as at 31 December 2019 primarily due to amortization during the year.

Inventories

Our inventories primarily consisted of carpark spaces held for sale and consumables held for consumption during the provision of property management services. Our inventories decreased to RMB122.9 million as at 31 December 2020 from RMB134.8 million as at 31 December 2019 since we increased our effort to sell certain carpark spaces during the year.

Trade and note receivables

Trade and note receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. Our trade and note receivables mainly arise from our property management services provided on a lump sum basis and value-added services. We usually issue a monthly payment notice for value-added services customers, who must pay accordingly. We generally do not grant a credit term to our customers of property management services and a credit term of up to 60 days for value-added services to non-property owners.

As at 31 December 2020, our trade and note receivables amounted to RMB315.5 million, representing a decrease of 13.3% as compared to RMB363.7 million as at 31 December 2019. The decrease was primarily due to our successful attempts to collect the outstanding property management fees through different means.

Prepayments and other receivables

Our prepayments and other receivables include prepayment to suppliers, other receivables and prepaid tax which in aggregate increased to RMB114.7 million as at 31 December 2020 from RMB94.3 million as at 31 December 2019. The increase was primarily due to an increase in prepayment of utility fees for more projects under our management and the increase in deposits for participating in tender and bidding process for obtaining new projects.

Loans and interest receivables due from related parties

Our Group provided certain interest-bearing loans in an aggregate amount of RMB2,856.0 million as at 31 December 2019 to a related party, for their operating cash needs and business development. The loan had an interest rate of 8.04% per annum, which was in line with our capital management policy. As at 31 December 2020, our loan and interest receivables due from related parties decreased to nil from RMB2,856.0 million as the related party has fully repaid the loans during the year.

Financial assets at fair value through profit or loss

During the year ended 31 December 2019, we have invested in certain financial assets at fair value through profit or loss, which mainly included investments in short-term structured deposits and money market funds. As at 31 December 2020, such investments have been fully redeemed.

Trade and other payables

Trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including purchase of utilities and materials and purchase from sub-contractors. Accruals and other payables represent: (i) other payables to third parties; (ii) other payables to related parties; (iii) dividend payables; (iv) interest payables; (v) salaries payables; and (vi) other tax payables.

As at 31 December 2020, our trade and other payables amounted to RMB659.8 million, representing a decrease of 18.3% as compared to RMB807.7 million as at 31 December 2019 as we repaid the advances of RMB146.1 million from the Sino-Ocean Group.

Contract liabilities

Contract liabilities represent our obligations to provide the contracted property management services and community value-added services to customers. Our contract liabilities mainly arise from the advance payments made by customers while the underlying services such as property management services and carpark management services are yet to be provided. As at 31 December 2020, our contract liabilities amounted to RMB327.9 million, representing an increase of 7.8% as compared to RMB304.1 million as at 31 December 2019 which was primarily resulting from expansion of business activities.

Capital expenditures

In 2020, we incurred capital expenditures of RMB9.0 million, representing a decrease of 36.6% as compared to approximately RMB14.2 million for 2019, which mainly consisted of (i) purchase of property, plant and equipment such as electronic equipment, office equipment and vehicles and (ii) purchase of intangible assets such as computer software.

Financial resources and liquidity

As at 31 December 2020, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) totaling RMB2,175.4 million, of which 71.6% (2019: 0.0%) of the Group's cash resources were denominated in HKD with the remaining balances mainly denominated in RMB, and a current ratio of 2.7 times (2019: 0.7 times). We have ample financial resources and an adaptable financial management policy to support our business expansion in the coming years.

In April 2018, as a subsidiary of Sino-Ocean Holding Group (China) Limited ("Sino-Ocean (China)") and in accordance with its capital management plan, we entered into an asset-backed securities arrangement with a third-party investment bank and brokerage firm in the PRC by securitizing our rights of receiving property management fees in respect of certain properties under our management. We then utilized the proceeds from issuance of such securities to provide loans to Sino-Ocean (China) with an interest rate of 8.04% per annum, which was in line with our capital management policy. According to the agreement of the asset-backed securities, we are eligible to exercise our right of redemption at redemption start date corresponding to each of the expected maturity date, and the redemption is irrecoverable once started. As at 31 December 2020, we have completed the redemption of all the asset-backed securities. As a result, the Group's borrowings as at 31 December 2020 decreased to nil from approximately RMB2,546.0 million as at 31 December 2019.

Due to the above arrangements, our gearing ratio (i.e. total borrowings and lease liabilities less total cash resources divided by total equity) decreased significantly from 483.1% as at 31 December 2019 to nil as at 31 December 2020 as we were in a net cash position after the listing.

The maturities of the Group's total borrowings are set out as follows:

(RMB'000)	**As at 31 December 2020**	**As a percentage of total borrowings**	As at 31 December 2019	As a percentage of total borrowings
Within 1 year	–	–	403,974	15.9%
1 to 2 years	–	–	295,000	11.5%
2 to 5 years	–	–	997,000	39.2%
Over 5 years	–	–	850,008	33.4%
Total	–	–	2,545,982	100.0%

Capital commitments

Capital commitments represent capital expenditure contracted for as at the end of the reporting period but not yet incurred. As at 31 December 2020, we did not have any capital commitment.

Charge on assets

As at 31 December 2020, we did not have any charges on our assets.

Contingent liabilities

As at 31 December 2020, we did not have any significant contingent liabilities.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

- Transfer of 100% equity interest in Ocean Homeplus

  The following transactions were effected to consolidate Ocean Homeplus into our Group.

  In contemplation of the transfer of equity interest in Ocean Homeplus Property Service Corporation Limited ("Ocean Homeplus"), the flagship company of our Group from Beijing Yuankun Real Estate Development Co., Ltd. ("Beijing Yuankun"), Beijing Yuankun and Beijing Bicheng Venture Capital Management Co., Ltd. ("Beijing Bicheng") entered into an equity transfer agreement dated 14 April 2020 and a supplemental agreement to the equity transfer agreement dated 16 May 2020, pursuant to which Beijing Yuankun agreed to transfer 71.15% equity interest in Ocean Homeplus to Beijing Bicheng at a consideration of RMB131 million. Such consideration was determined with reference to the net asset value of Ocean Homeplus as at 31 March 2020, and has been fully settled. Each of Beijing Yuankun and Beijing Bicheng is an indirect wholly-owned subsidiary of Sino-Ocean.

  Beijing Bicheng and Beijing Zhuoyuan Ruitong Enterprise Management Service Co., Ltd. ("Zhuoyuan Ruitong") then entered into an equity transfer agreement dated 28 April 2020 and a supplemental agreement to the equity transfer agreement dated 16 May 2020, pursuant to which Beijing Bicheng agreed to transfer 71.15% equity interest in Ocean Homeplus to Zhuoyuan Ruitong at a consideration of RMB131.6 million. Such consideration was determined with reference to the acquisition costs paid by Beijing Bicheng, and has been fully settled. Zhuoyuan Ruitong is an indirect wholly-owned subsidiary of the Company.

  In addition, Beijing Yuanjing Ruixiang Management Consultation Co., Ltd. ("Beijing Yuanjing") and Beijing Zhuoyuan Ruihe Enterprise Management Service Co., Ltd. ("Zhuoyuan Ruihe") entered into an equity transfer agreement dated 28 April 2020 and a supplemental agreement to the equity transfer agreement dated 16 May 2020, pursuant to which Beijing Yuanjing agreed to transfer 28.85% equity interest in Ocean Homeplus to Zhuoyuan Ruihe at a consideration of RMB53.4 million. Such consideration was determined with reference to the net asset value of Ocean Homeplus as at 31 March 2020, and has been fully settled. Beijing Yuanjing is an indirect wholly-owned subsidiary of Sino-Ocean and Zhuoyuan Ruihe is an indirect wholly-owned subsidiary of the Company.

  Upon completion of the above transfers, Ocean Homeplus is owned as to 71.15% by Zhuoyuan Ruitong and as to 28.85% by Zhuoyuan Ruihe.

- Transfer of 50% equity interests indirectly held by Sino-Ocean in two joint venture companies

  On 30 June 2020, Beijing Yichi Property Service Co., Ltd., an indirect wholly-owned subsidiary of our Company, and Chengdu Qianhao Real Estate Co., Ltd., a joint venture of Sino-Ocean, entered into an equity transfer agreement, pursuant to which Chengdu Qianhao Real Estate Co., Ltd. transferred 50% equity interest in a joint venture, Chengdu Qianhao Property Service Co., Ltd. ("Chengdu Qianhao"), to Beijing Yichi Property Service Co., Ltd. at a consideration of RMB7,829,288.49. Such consideration was determined with reference to the net asset value of Chengdu Qianhao as of 30 May 2020, and has been fully settled.

  Chengdu Qianhao was established in the PRC as a limited liability company on 18 February 2014, with a registered capital of RMB1,000,000, and has engaged in the provision of property management services. Upon completion of the above transfer, Chengdu Qianhao is owned as to 50% by our Group and 50% by Great Ascend Limited (which save for its interest in Chengdu Qianhao is an independent third party), and the financial results of Chengdu Qianhao will not be consolidated into the financial statements of our Group.

  On 30 June 2020, Beijing Yiheng Property Services Co., Ltd., an indirect wholly-owned subsidiary of our Company, and Beijing Linlian Real Estate Co., Ltd., a joint venture of Sino-Ocean Group, entered into an equity transfer agreement, pursuant to which Beijing Linlian Real Estate Co., Ltd. transferred 50% equity interest in a joint venture, Beijing Indigo Property Services Co., Ltd. ("Beijing Indigo"), to Beijing Yiheng Property Services Co., Ltd. at a consideration of RMB250,000. Such consideration was determined with reference to the net asset value of Beijing Indigo as of 30 May 2020, and has been fully settled.

  Beijing Indigo was established in the PRC as a limited liability company on 25 February 2011, with a registered capital of RMB500,000, and has engaged in the provision of property management services. Upon completion of the above transfer, Beijing Indigo is owned as to 50% by our Group and as to 50% by Linkage Power Limited (which save for its interest in Beijing Indigo is an independent third party), and the financial results of Beijing Indigo will not be consolidated into the financial statements of our Group.

  Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

Risk of exposure to exchange rate fluctuations

The principal activities of the Group are conducted in the PRC. Except for certain net proceeds denominated in HKD raised from the listing, the Group was not subject to any material risk directly relating to foreign exchange fluctuations. In view of the potential Renminbi exchange rate fluctuations, we will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks. During the year ended 31 December 2020, the Group did not use any financial instruments for hedging purpose.

Employees and human resources

As at 31 December 2020, the Group had 5,928 employees (31 December 2019: 5,799 employees). The total number of employees serving the Group has remained basically stable. We will continue to strive for improvement in both manpower effectiveness and control capability of the Group. Our total staff cost for 2020 was approximately RMB579.3 million (2019: RMB595.9 million).

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

Use of net proceeds from listing

The shares of the Company were listed on the Main Board of the Stock Exchange on 17 December 2020 with 296,000,000 new shares issued at a final offer price of HKD5.88 per share. After deduction of the underwriting fees and commissions and expenses payable by the Company, net proceeds from the Listing amounted to approximately HKD1,691.7 million (equivalent to RMB1,426.3 million) and the net proceeds per share were HKD5.72 (equivalent to RMB4.82). Such proceeds are intended to be applied in the manner and timeframe consistent with that disclosed in the prospectus of the Company dated 7 December 2020:

- Approximately 60%, or HKD1,015.0 million, will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business;

- Approximately 20%, or HKD338.3 million, will be used to develop smart community through upgrading of our systems for smart management;

- Approximately 10%, or HKD169.2 million, will be used to enhance our level of digitization and our internal information technology infrastructure; and

- Approximately 10%, or HKD169.2 million, will be used for working capital and general corporate purpose.

As at 31 December 2020, none of the net proceeds has been utilized. The net proceeds were deposited with licensed banks or financial institutions in Hong Kong and mainland China for short-term deposits.

Change of the Company logo

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

The audited consolidated results of the Group for the year ended 31 December 2020 are as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of 31 December **2020** *RMB'000*	2019 *RMB'000*
Assets			
Non-current assets			
Investment properties		**85,496**	84,894
Property, plant and equipment		**20,221**	25,280
Intangible assets		**107,033**	112,438
Right-of-use assets		**15,217**	4,280
Investments in joint ventures		**119,290**	22,100
Loans and interest receivables due from related parties		**–**	2,856,000
Deferred income tax assets		**16,659**	17,779
Total non-current assets		**363,916**	3,122,771
Current assets			
Inventories		**122,886**	134,825
Trade and note receivables	*5*	**315,470**	363,659
Prepayments and other receivables		**114,743**	94,286
Financial assets at fair value through profit or loss		**–**	17,835
Restricted bank deposits		**338**	154
Cash and cash equivalents		**2,175,019**	423,413
Total current assets		**2,728,456**	1,034,172
Total assets		**3,092,372**	4,156,943
Equity			
Equity attributable to owners of the Company			
Share capital		**99,829**	–
Reserves		**1,703,440**	163,486
Retained earnings		**225,114**	254,452
		2,028,383	417,938
Non-controlling interests		**22,922**	22,328
Total equity		**2,051,305**	440,266

	Note	As of 31 December **2020** ***RMB'000***	 2019 *RMB'000*
Liabilities			
Non-current liabilities			
Borrowings		**–**	2,142,008
Trade and other payables	*6*	**8,526**	7,783
Lease liabilities		**4,393**	705
Deferred income tax liabilities		**12,543**	13,759
Total non-current liabilities		**25,462**	2,164,255
Current liabilities			
Borrowings		**–**	403,974
Trade and other payables	*6*	**651,304**	799,948
Contract liabilities		**327,943**	304,055
Lease liabilities		**8,338**	3,753
Current tax liabilities		**28,020**	40,692
Total current liabilities		**1,015,605**	1,552,422
Total liabilities		**1,041,067**	3,716,677
Total equity and liabilities		**3,092,372**	4,156,943

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**2,023,319**	1,829,575
Cost of sales	*4, 7*	**(1,512,018)**	(1,452,896)
Gross profit		**511,301**	376,679
Selling and marketing expenses	*7*	**(15,730)**	(9,002)
Administrative expenses	*7*	**(182,838)**	(143,878)
Net impairment losses on financial assets		**(31,177)**	(14,186)
Other income		**173,488**	225,397
Other (losses)/gains, net	*8*	**(10,154)**	3,093
Fair value gains on investment properties		**602**	1,085
Operating profit		**445,492**	439,188
Finance costs	*9*	**(131,430)**	(173,117)
Share of results in joint ventures		**16,105**	333
Profit before income tax		**330,167**	266,404
Income tax expense	*10*	**(67,610)**	(61,128)
Profit for the year		**262,557**	205,276
Other comprehensive income		**–**	–
Profit and total comprehensive income for the year		**262,557**	205,276
Profit and total comprehensive income attributable to:			
— Owners of the Company		**257,634**	206,504
— Non-controlling interests		**4,923**	(1,228)
		262,557	205,276
Earnings per share for profit attributable to the owners of the Company			
— Basic and diluted (expressed in RMB per share)	*11*	**0.29**	0.23

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") on 17 December 2020 (the "Listing").

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are primarily engaged in the provision of property management 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. Its ultimate holding company is Sino-Ocean Group Holding Limited ("Sino-Ocean"), a limited liability company incorporated in Hong Kong on 12 March 2007, and its shares are listed on the main board of the Stock Exchange.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2021.

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

2 BASIS OF PREPARATION

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

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

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

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

(b) New standards and amendments not yet adopted

New standards and amendments that have been issued but not yet effective on 1 January 2020 and not been early adopted by the Group are as follows:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16 – Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 37 – Onerous contracts – Cost of fulfilling a contract	1 January 2022
Annual Improvements – Annual Improvements to HKFRS standard 2018-2020	1 January 2022
Amendments to HKAS 16 – Property, plant and equipment-proceeds before intended use	1 January 2022
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
HKFRS 17 – Insurance contract	1 January 2023
Amendments to HKAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

3 SEGMENT INFORMATION

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

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

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the years of 2020 and 2019.

As of 31 December 2020 and 2019, all of the non-current assets were located in the PRC.

4 REVENUE AND COST OF SALES

Revenue mainly comprises of proceeds from property management services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2020 and 2019 is as follows:

		Year ended 31 December			
		2020		2019	
		Revenue	**Cost of sales**	Revenue	Cost of sales
		RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	Revenue from customer and recognized				
Property management services	Over time	**1,339,256**	**1,099,618**	1,219,641	1,052,479
Community value-added services	Over time and point in time	**316,171**	**118,831**	237,291	95,810
Value-added services to non-property owners	Over time	**367,892**	**293,569**	372,643	304,607
		2,023,319	**1,512,018**	1,829,575	1,452,896

For the year ended 31 December 2020 revenue from entities controlled by Sino-Ocean, joint ventures and associates of Sino-Ocean and the shareholders of ultimate holding company of the Group contributed 20.4% (2019: 20.4%) of the Group's revenue. Other than Sino-Ocean Group and it's joint ventures and associates, the Group has a large number of customers, none of whom contributed approximately 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

5 TRADE AND NOTE RECEIVABLES

	As of 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
– related parties	**97,850**	108,458
– third parties	**298,562**	333,638
	396,412	442,096
Note receivables		
– related parties	**–**	2,025
	–	2,025
Less: allowance for impairment of trade and note receivables	**(80,942)**	(80,462)
	315,470	363,659

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

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

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

As of 31 December 2020 and 2019, the aging analysis of the trade and note receivables based on the invoice date, were as follows:

	As of 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**254,341**	293,082
1-2 years	**57,482**	66,361
2-3 years	**36,417**	37,982
Over 3 years	**48,172**	46,696
Total	**396,412**	444,121

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As of 31 December 2020, a provision of RMB 80,942,000, (2019: RMB 80,462,000) was provided against the gross amounts of trade and note receivables.

As of 31 December 2020 and 2019, the trade and note receivables were denominated in RMB, and the fair value of trade and note receivables approximated their carrying amounts.

6 Trade and other payables

	As of 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade payables *(a)*		
– Related parties	**22,347**	22,130
– Third parties	**256,930**	231,767
	279,277	253,897
Other payables		
– Related parties	**25,279**	166,123
– Deposit	**112,148**	111,007
– Amounts collected on behalf of property owner	**90,235**	94,907
– Others	**50,857**	37,391
	278,519	409,428
Dividends payables		
– Non-controling shareholders	**4,145**	–
	4,145	–
Interest payables		
– Related parties	**–**	1,600
– Third parties	**–**	34,784
	–	36,384
Accrued payroll and welfare payables	**92,125**	99,545
Other taxes payables	**5,764**	8,477
	97,889	108,022
Less: non-current portion	**(8,526)**	(7,783)
Total	**651,304**	799,948

As of 31 December 2020 and 2019, the carrying amounts of trade and other payables approximated their fair values.

(a) As of 31 December 2020 and 2019, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	As of 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**269,703**	250,093
1-2 years	**6,652**	3,050
2-3 years	**2,271**	576
Over 3 years	**651**	178
	279,277	253,897

7 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Employee benefit expenses	**579,278**	595,949
Outsourced security, greening and cleaning expenses	**566,258**	551,470
Maintenance expenses	**158,309**	141,138
Utilities	**124,917**	106,838
Office-related expenses	**70,062**	73,930
Depreciation and amortization charges	**27,521**	26,916
Cost of consumables and raw materials	**72,602**	56,706
Cost of selling carpark spaces	**11,702**	9,982
Taxes and surcharges	**10,233**	9,321
Community activities expenses	**15,730**	9,002
Listing expenses	**37,512**	–
Auditors' remuneration	**3,029**	1,328
– Audit services	**2,600**	750
– Non-audit services	**429**	578
Others	**33,433**	23,196
	1,710,586	1,605,776

8 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Fair value gains on financial assets at fair value through profit or loss	**3,063**	3,166
Gains/(losses) on disposal of property, plant and equipment	**142**	(71)
Net foreign exchange losses	**(13,355)**	–
Others	**(4)**	(2)
	(10,154)	3,093

9 FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Interest expense of asset-backed securities	**130,406**	171,006
Interest expense of other borrowings	**–**	1,600
Interest expense for lease liabilities	**929**	511
Others	**95**	–
	131,430	173,117

10 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 nondeductible items.

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**66,926**	64,300
– PRC land appreciation tax	**780**	1,083
Deferred income tax credit	**(96)**	(4,255)
	67,610	61,128

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**330,167**	266,404
Adjust for:		
Share of results of joint ventures	**(16,105)**	(333)
	314,062	266,071
Tax calculated at a tax rate of 25%	**78,516**	66,518
Tax effects of:		
Effect of higher tax rate for the appreciation of land in the PRC	**585**	813
Expenses not deductible for tax purposes	**1,759**	1,769
Tax losses not recognized	**1,991**	1,264
Utilisation of previously unrecognized tax losses and expenses	**(1,617)**	(4)
Differences in tax rate	**(13,396)**	(9,395)
Others	**(228)**	163
	67,610	61,128

11 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of 900,131,148 (2019: 888,000,000) in issue during the year. The weighted average number of ordinary shares used in 2019 has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalization shares which were deemed to have been in issue since 1 January 2019.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company used in the basic earnings per share calculation *(RMB'000)*	**257,634**	206,504
Weighted average number of ordinary shares in issue *(in thousands)*	**900,131**	888,000
Basic and diluted earnings per share for profit attributable to the owners of the Company during the year *(expressed in RMB per share)*	**0.29**	0.23

For the years ended 31 December 2020 and 2019, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

12 DIVIDENDS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.055 per ordinary share *(a)*	**65,120**	–

(a) On 19 March 2021, the Company proposed a final dividend of RMB65,120,000 for the year ended 31 December 2020.

(b) During the year of 2020, the Group declared dividends with aggregated amounts of RMB292,117,000 (2019: RMB294,895,000) to Beijing Yuankun Real Estate Development Co., Ltd., Beijing Yuanjing Ruixiang Management Consultation Co., Ltd. and non-controlling shareholders.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have material subsequent events after the reporting period.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed upon by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

FINAL DIVIDEND

The Board proposed to recommend at the forthcoming annual general meeting of the Company (the "AGM") to be held on Tuesday, 25 May 2021 the payment of a final dividend of RMB0.055 per ordinary share (equivalent to HKD0.066 per ordinary share, rounded to the nearest three decimal places) for the year ended 31 December 2020. The final dividend will be paid in cash in Hong Kong dollars. The relevant exchange rate is the average central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the period from Friday, 12 March 2021 to Thursday, 18 March 2021 (RMB1 = HKD1.1954). The final dividend is subject to the approval of the shareholders of the Company (the "Shareholders") at the AGM. The final dividend will be paid to the Shareholders whose names are standing in the register of members of ordinary shares of the Company on Friday, 28 May 2021. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited (the "Share Registrar") at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 28 May 2021.

It is expected that the cheques for cash entitlement in relation to the 2020 final dividend will be despatched at the risk of those entitled thereto to their respective registered addresses on or around Thursday, 10 June 2021.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 25 May 2021. The notice of AGM will be published and despatched to the Shareholders in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of ordinary shares of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021 (both dates inclusive), during which period no transfer of ordinary shares will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar no later than 4:30 p.m. on Tuesday, 18 May 2021.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period from the Listing Date to 31 December 2020 (the "Relevant Period").

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Relevant Period under review, except for the deviations as disclosed herein.

The positions of the joint chairman of the Board (the "Joint Chairman") are held by Mr. YANG Deyong and Mr. CUI Hongjie, while Mr. YANG Deyong also performs the duties of the chief executive officer of the Company (the "Chief Executive Officer"). The Joint Chairman provides leadership, guidance for the Board and ensures the effectiveness of the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. The Joint Chairman is also responsible for formulating the overall strategies and policies of the Company and monitoring their implementation.

The code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, Mr. YANG Deyong's in-depth knowledge of the operations of the Group and of the industry, his extensive business network and connections in the sector and the scope of operations of the Group, the Board believes that Mr. YANG Deyong, in his dual capacity as the Joint Chairman and the Chief Executive Officer, will provide realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company, and the Board also believes that this structure is in the best interest of the Company.

Further information of the Company's corporate governance practices will be set out in the Corporate Governance Report of the Company's 2020 Annual Report which will be sent to the Shareholders on or about 22 April 2021.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2020.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This preliminary annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.sinooceanservice.com). The Company's annual report for the year ended 31 December 2020 will be despatched to the Shareholders on or about 22 April 2021 and will be available on the Company's and the Stock Exchange's websites at about the same time.

APPRECIATION

On behalf of the Board, I would like to extend my deepest gratitude to all Shareholders, investors, the central authority, local authorities, business partners and customers who have been most supportive; also to our directors, management and the entire staff for their dedicated hard work. Our sustainable and stable development could not be achieved without their unreserved support.

CHANGE OF COMPANY'S WEBSITE

The Board announces that the Company's website has been changed from "www.sinooceanservice.com.cn" to "www.sinooceanservice.com" with effect from 19 March 2021.

By Order of the Board
Sino-Ocean Service Holding Limited
YANG Deyong
Joint Chairman

Hong Kong, 19 March 2021

As at the date of this announcement, the Board comprises Mr. Yang Deyong and Ms. Zhu Geying as executive Directors, Mr. Cui Hongjie and Mr. Zhu Xiaoxing as non-executive Directors, and Dr. Guo Jie, Dr. Xue Jun and Mr. Zhu Lin as independent non-executive Directors.