遠洋服務
SINO-OCEAN SERVICE

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS HIGHLIGHTS

- As of 30 June 2022, the contracted GFA of property management projects was 121.5 million sq.m. and GFA under management was 79.4 million sq.m., representing an increase of approximately 15% and 8% respectively as compared to that of 31 December 2021.

- Revenue increased by approximately 16% to RMB1,600.3 million as compared to the corresponding period in 2021.

- Profit attributable to owners of the Company increased by approximately 2% to RMB266.7 million as compared to the corresponding period in 2021. Basic earnings per Share for the six months ended 30 June 2022 was RMB0.23 per Share (six months ended 30 June 2021: RMB0.22 per Share).

- The Board is pleased to declare an interim dividend of RMB0.136 per Share (equivalent to HKD0.156 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 is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022.

MARKET REVIEW AND OUTLOOK

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

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

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

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

RESULTS REVIEW

2022 INTERIM RESULTS

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

During the period, the Group's property management services covered a contracted GFA of 121.5 million sq.m., approximately 47% and 15% more than that of 30 June 2021 and 31 December 2021, respectively. GFA under management was 79.4 million sq.m., increased by approximately 37% and 8% from 30 June 2021 and 31 December 2021, respectively. An additional contracted GFA of 14.0 million sq.m. came from third party contracts. Accumulated contracted GFA from third parties reached 63.1 million sq.m., representing approximately 52% of total contracted GFA. These contracts covered residential and commercial premises, offices, schools, hospitals, industrial parks, logistics parks, internet data centers, government buildings and urban spaces.

BUSINESS REVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. We manage a portfolio of diversified property types covering mid- to high-end residential properties, commercial properties, such as shopping malls and offices, and public and other properties, providing customers with comprehensive services along the value chain of property management, including, among others, property management and commercial operational services, community value-added services and value-added services to non-property owners. The Group has consistently enjoyed a sound reputation in the industry on the back of its quality services and proven industry experience over the years.

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.

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

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

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

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

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

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

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

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

	As at 30 June							
	2022				2021			
	Contracted GFA		**GFA under management**		Contracted GFA		GFA under management	
	('000 sq.m.)	***%***	***('000 sq.m.)***	***%***	*('000 sq.m.)*	*%*	*('000 sq.m.)*	*%*
Properties developed/owned by Sino-Ocean Group (including its joint ventures and associates)	**58,402**	**48**	**46,219**	**58**	50,396	61	39,160	68
Properties developed/owned by other third parties[Note]	**63,117**	**52**	**33,158**	**42**	32,240	39	18,631	32
Total	**121,519**	**100**	**79,377**	**100**	82,636	100	57,791	100

Note:

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

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

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

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

Notes:

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

2) "Bohai Rim region" refers to cities including Dalian, Qingdao, Shenyang, Jinan, Linyi, Changchun, Fushun and Taiyuan, etc.

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

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

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

The Group's property management projects are mainly concentrated in first-tier and second-tier cities such as Beijing, Tianjin, Hangzhou and Wuhan. First-tier and second-tier cities accounted for approximately 88% of our GFA under management.

The table below sets out a breakdown of the contracted GFA and GFA under management in cities where the Group's projects were primarily located as at 30 June 2022 according to the city classification by China Business Network in 2022:

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

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

Property management services on residential and other non-commercial properties

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

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

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

Commercial operational and property management services on commercial properties

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

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

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

Shopping malls

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

As at 30 June 2022, the Group provided commercial operational services to 8 shopping malls in operation and 4 projects pending operation with a total contracted GFA of 0.9 million sq.m., located variously in first-tier and new first-tier cities such as Beijing, Tianjin and Wuhan. The Group operates shopping malls through its three major product lines: the "Grand Canal Place" Series, "Lane" Series and "We-life" Series. The "Grand Canal Place" Series and the "Lane" Series are positioned as city-grade flagship commercial complexes, while the "We-life" Series is positioned as an urban community commercial hub.

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

	As at 30 June	
	2022	2021
Property management services		
Contracted GFA *('000 sq.m.)*	**5,754**	5,144
Number of projects relating to contracted GFA	**37**	30
GFA under management *('000 sq.m.)*	**2,980**	2,207
Number of projects relating to GFA under management	**25**	14
Commercial operational services[Note]		
Contracted GFA *('000 sq.m.)*	**934**	N/A
Number of projects relating to contracted GFA	**12**	N/A
GFA under management *('000 sq.m.)*	**591**	N/A
Number of projects relating to GFA under management	**8**	N/A

Note:

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

Office buildings

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

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

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

	As at 30 June	
	2022	2021
Property management services		
Contracted GFA *('000 sq.m.)*	**1,656**	1,755
Number of projects relating to contracted GFA	**24**	23
GFA under management *('000 sq.m.)*	**1,536**	1,567
Number of projects relating to GFA under management	**23**	21
Commercial operational services***Note***		
Contracted GFA *('000 sq.m.)*	**1,198**	N/A
Number of projects relating to contracted GFA	**15**	N/A
GFA under management *('000 sq.m.)*	**778**	N/A
Number of projects relating to GFA under management	**12**	N/A

Note:

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

Community value-added services

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

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

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

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

Notes:

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

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

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

Value-added services to non-property owners

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

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

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

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

Notes:

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

2) Mainly represents consultancy services to property developers at an early stage of their property development on the overall planning of properties and coordination of their relevant pre-sale activities to avoid possible planning issues and reduce development and construction costs as well as operation and management costs at the later stage.

3) Mainly represents property engineering services to property developers and other property management companies, including engineering, greening, gardening, repair and maintenance of residential communities and non-residential properties, equipment operation and maintenance and the upgrade of smart security systems.

FUTURE DEVELOPMENT PLANS

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2022 increased by approximately 16% to RMB1,600.3 million, from RMB1,384.6 million for the six months ended 30 June 2021. The Group's revenue is mainly generated from (i) property management and commercial operational services; (ii) community value-added services; and (iii) value-added services to non-property owners, which contributed approximately 59%, 19% and 22% of the Group's total revenue, respectively.

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

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

Revenue from property management and commercial operational services for the six months ended 30 June 2022 increased by approximately 27% to RMB943.5 million from RMB744.5 million for the six months ended 30 June 2021, among which, (a) revenue from property management services on residential and other non-commercial properties increased by approximately 24% to RMB666.3 million for the six months ended 30 June 2022 from RMB538.1 million for the six months ended 30 June 2021. The increase was mainly attributable to an increase in our GFA under management, which reached 74.9 million sq.m. as at 30 June 2022 (30 June 2021: 54.0 million sq.m.) with an increase in the number of properties under management to 344 as at 30 June 2022 (30 June 2021: 246), due to our business expansion; and (b) revenue from commercial operational and property management services on commercial properties increased by approximately 34% to RMB277.3 million for the six months ended 30 June 2022 from RMB206.5 million for the six months ended 30 June 2021. The increase was mainly attributable to (i) an increase in our GFA under property management services, which reached 4.5 million sq.m. as at 30 June 2022 (30 June 2021: 3.8 million sq.m.) with an increase in the number of commercial properties under property management services to 48 as at 30 June 2022 (30 June 2021: 35), due to our business expansion; and (ii) the extension of commercial operational services to the owners of shopping malls and office buildings for 20 projects with a total GFA under management of 1.4 million sq.m. as at 30 June 2022 (30 June 2021: nil).

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

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

Cost of sales

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

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

Sub-contracting costs for security, greening and cleaning for the six months ended 30 June 2022 increased by approximately 25% to RMB390.3 million as compared to RMB311.3 million for the six months ended 30 June 2021, which was primarily attributable to the increase in our GFA under management as well as a general increase in sub-contracting fees charged by our sub-contractors due to an increase in labor costs of our sub-contractors.

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

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

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

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

Gross profit and gross profit margin

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

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

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

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

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

Gross profit margin for value-added services to non-property owners increased from approximately 20% for the six months ended 30 June 2021 to approximately 25% for the six months ended 30 June 2022 which was primarily due to an increase in revenue contribution from consultancy services with a higher gross profit margin.

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

Other income and other losses

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

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

Operating expenses

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

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

Net impairment losses on financial assets

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

Finance costs

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

Share of results in joint ventures

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

Taxation

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

Profit attributable to owners of the Company

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

Property, plant and equipment

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

Intangible assets

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

Inventories

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

Trade and note receivables

Trade and note receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. Our trade and note receivables mainly arise from our property management and commercial operational services and value-added services provided. We usually issue a monthly payment notice to our customers of value-added services, who must pay accordingly. We generally do not grant a credit term to our customers of property management services and a credit term of up to 30 days for commercial operational services and 60 days for value-added services to non-property owners are granted, respectively.

As at 30 June 2022, our trade and note receivables amounted to RMB937.3 million, representing an increase of approximately 79% as compared to RMB523.7 million as at 31 December 2021. The increase was primarily attributable to market environment impacts such as industry and economic conditions which slowed down the recovery of trade receivables. We will continue to enhance various measures to ensure the timeliness and expedite the recovery of our trade and note receivables.

Prepayments and other receivables

Our prepayments and other receivables mainly include prepayment to suppliers, other receivables and prepaid tax. As at 30 June 2021 and 30 June 2022, our prepayments and other receivables remained relatively stable at RMB219.6 million and RMB219.5 million, respectively.

Trade and other payables

Trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including purchase of utilities and materials and purchase from sub-contractors. Accruals and other payables mainly represent: (i) deposit; (ii) amounts collected on behalf of property owner; (iii) accrued payroll and welfare payables; (iv) other payables to related parties; and (v) other tax payables.

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

Contract liabilities

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

Capital expenditures

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

Financial resources and liquidity

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

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

The principal activities of the Group are conducted in the PRC. During the six months ended 30 June 2022, the Group did not use any financial instruments for hedging purpose. In view of the potential RMB exchange rate fluctuations, we will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks.

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

Gearing ratio

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

Major investments

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

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

Capital commitments

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

Charge on assets

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

Contingent liabilities

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2022.

Employees and human resources

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

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

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

Event after the reporting period

Acquisition of the entire equity interests in a property management company

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

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

Use of net proceeds from listing

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

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

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

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

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

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

	Percentage of net proceeds %	Available to utilise RMB million	Utilised during the period RMB million	Accumulated utilised (up to 30 June 2022) RMB million	Unutilised (as at 30 June 2022) RMB million	Expected timetable for the usage of the unutilised net proceeds as of 30 June 2022
Pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business	60%	855.8	37.6[Note]	83.3	772.5	On or before 31 December 2023
Develop smart community through upgrading of our systems for smart management	20%	285.3	3.7	17.7	267.6	On or before 31 December 2023
Enhance our level of digitization and our internal information technology infrastructure	10%	142.6	9.5	37.6	105.0	On or before 31 December 2023
Working capital and general corporate purpose	10%	142.6	107.4	142.6	—	N/A
Total	100%	1,426.3	158.2	281.2	1,145.1	

The Directors are not aware of any material change to the planned use of net proceeds as at the date of this announcement. The unutilised net proceeds as at 30 June 2022 were deposited with licensed banks or financial institutions in mainland China and Hong Kong.

Note:

Among the RMB37.6 million paid for business acquisition, (i) RMB15.0 million was the partial payment for the acquisition of 100% of equity interests of a company primarily engaged in the provision of property management services in Dalian ("Acquisition A"); (ii) RMB11.4 million was the partial payment for the acquisition of 80% of equity interests of Ourui Property Management Group Limited* (甌睿物業集團有限公司) ("Acquisition B"); and (iii) RMB11.2 million was the partial payment for the acquisition of 51% of equity interests of a company primarily engaged in the provision of property management services in Zhengzhou ("Acquisition C").

As at the date of this announcement, Acquisition B and Acquisition C have been completed, while Acquisition A is still in progress.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 are as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at **30 June 2022** *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**28,099**	23,042
Intangible assets		**188,783**	164,263
Right-of-use assets		**19,617**	24,056
Investments in joint ventures		**127,391**	150,671
Deferred income tax assets		**23,947**	19,735
Total non-current assets		**387,837**	381,767
Current assets			
Inventories		**199,757**	176,209
Trade and note receivables	6	**937,344**	523,691
Prepayments and other receivables		**219,478**	219,606
Restricted bank deposits		**578**	541
Cash and cash equivalents		**2,473,890**	2,526,530
Total current assets		**3,831,047**	3,446,577
Total assets		**4,218,884**	3,828,344
Equity			
Equity attributable to owners of the Company			
Share capital		**99,829**	99,829
Reserves		**1,528,208**	1,638,320
Retained earnings		**930,867**	664,134
		2,558,904	2,402,283
Non-controlling interests		**48,062**	31,845
Total equity		**2,606,966**	2,434,128

	Note	As at 30 June 2022 *RMB'000* (Unaudited)	31 December 2021 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Trade and other payables	7	**24,445**	24,434
Lease liabilities		**12,757**	13,138
Deferred income tax liabilities		**17,330**	18,015
Total non-current liabilities		**54,532**	55,587
Current liabilities			
Trade and other payables	7	**1,061,497**	902,455
Contract liabilities		**437,929**	384,229
Lease liabilities		**5,955**	8,000
Current tax liabilities		**52,005**	43,945
Total current liabilities		**1,557,386**	1,338,629
Total liabilities		**1,611,918**	1,394,216
Total equity and liabilities		**4,218,884**	3,828,344

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	**1,600,278**	1,384,601
Cost of sales	5, 8	**(1,171,744)**	(943,351)
Gross profit		**428,534**	441,250
Selling and marketing expenses	8	**(8,445)**	(6,222)
Administrative expenses	8	**(72,869)**	(97,508)
Net impairment losses on financial assets		**(46,303)**	(20,970)
Other income		**11,954**	14,038
Other losses		**(4,997)**	(8,028)
Operating profit		**307,874**	322,560
Finance costs		**(665)**	(514)
Share of results in joint ventures		**20,197**	19,181
Profit before income tax		**327,406**	341,227
Income tax expense	9	**(57,944)**	(77,706)
Profit for the period		**269,462**	263,521
Other comprehensive income		**—**	—
Profit and total comprehensive income for the period		**269,462**	263,521
Profit and total comprehensive income attributable to:			
Owners of the Company		**266,733**	261,311
Non-controlling interests		**2,729**	2,210
		269,462	263,521
Earnings per share for profit attributable to the owners of the Company			
Basic and diluted *(expressed in RMB per share)*	10	**0.23**	0.22

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

This condensed consolidated interim financial information has not been audited and is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 30 August 2022.

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

2 BASIS OF PREPARATION

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

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

3 ACCOUNTING POLICIES

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

New and amended standards adopted by the Group

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

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

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

(d) Annual Improvements to HKFRS Standards 2018–2020

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

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

Impact of standards issued but not yet applied by the Group

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

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

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

4 SEGMENT INFORMATION

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

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

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

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

5 REVENUE AND COST OF SALES

Revenue mainly comprises of proceeds from property management and commercial operational services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue and cost of sales by category for the six months ended 30 June 2022 and 2021 is as follows:

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

6 TRADE AND NOTE RECEIVABLES

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

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

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

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

7 TRADE AND OTHER PAYABLES

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

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

(a) As at 30 June 2022 and 31 December 2021, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

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

8 EXPENSES BY NATURE

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

9 INCOME TAX EXPENSE

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

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

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

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

10 EARNINGS PER SHARE

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

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

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

11 DIVIDENDS

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

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

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

12 SUBSEQUENT EVENT

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

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

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

CORPORATE GOVERNANCE

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

The positions of the Joint Chairmen are held by Mr. YANG Deyong and Mr. CUI Hongjie, while Mr. YANG Deyong also performs the duties of the Chief Executive Officer. The Joint Chairmen provide leadership and guidance for the Board and ensure the effectiveness of the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. The Joint Chairmen are also responsible for formulating the overall strategies and policies of the Company and monitoring their implementation.

The code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, Mr. YANG Deyong's in-depth knowledge of the operations of the Group and of the industry, his extensive business network and connections in the sector and the scope of operations of the Group, the Board believes that Mr. YANG Deyong, in his dual capacity as the Joint Chairman and the Chief Executive Officer, will provide realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company. The Board also considers that as all major decisions are made in consultation with the Board and the senior management of the Company, there is sufficient balance of power with the joint-chairman structure, and believes that this structure is in the best interest of the Company. The Board will review the current structure from time to time and will make any necessary arrangement as appropriate.

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

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a Code of Conduct on terms no less exacting than those required standards set out in the Model Code. The Company has made specific enquiries with all the Directors and each of them has confirmed that he or she had complied with all required standards set out in the Model Code and the Code of Conduct throughout the six months ended 30 June 2022.

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

REVIEW OF INTERIM FINANCIAL INFORMATION BY AUDIT COMMITTEE

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

The Audit Committee consists of three INEDs, namely Mr. LEUNG Wai Hung, Dr. GUO Jie and Mr. HO Chi Kin Sammy, and two NEDs, namely Mr. CUI Hongjie and Mr. ZHU Xiaoxing.

INTERIM DIVIDEND

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

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

This interim 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 interim report for the six months ended 30 June 2022 will be despatched to the Shareholders on or about 23 September 2022 and will be available on the Stock Exchange's and the Company's websites at about the same time.

APPRECIATION

The Board would like to extend its deepest gratitude to all Shareholders, investors, customers, business partners, the government and all the directors, management and the entire staff who have worked together with the Group. The Group could not have enjoyed its continued stable growth without their unreserved support.

GLOSSARY

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

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC"	the People's Republic of China
"Code of Conduct"	the code of conduct regarding Directors' securities transactions adopted by the Company
"Company" or "Sino-Ocean Service"	Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 06677)
"Company Secretary"	the company secretary of the Company
"Director(s)"	the director(s) of the Company
"GFA"	gross floor area
"Group" or "we"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s)
"Joint Chairmen"	the joint chairmen of the Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NED(s)"	the non-executive Director(s)
"RMB"	Renminbi, the lawful currency of the PRC

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

Note:

In this announcement, 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.

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

Hong Kong, 30 August 2022

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, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung as independent non-executive directors.