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CONNECTED TRANSACTION IN RELATION TO COMMERCIAL PROPERTY LEASING AND OPERATION

COMMERCIAL PROPERTY LEASING AND OPERATION AGREEMENT

On 11 November 2022 (after trading hours of the Stock Exchange), the Lessee (a wholly-owned subsidiary of the Company), as lessee, entered into the Commercial Property Leasing and Operation Agreement with the Lessor, as lessor, in relation to the leasing of the Property for operation and management on an as-is basis for a lease term from 12 November 2022 to 31 December 2023.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Lessor is a branch company of SoG China which is in turn a wholly-owned subsidiary of Sino-Ocean Group, a controlling Shareholder. Therefore, the Lessor is an associate of a controlling Shareholder and thus a connected person of the Company. Accordingly, the Commercial Property Leasing and Operation Agreement and the leasing of the Property as contemplated thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 "Leases", the Group is required to recognise the leasing of the Property under the Commercial Property Leasing and Operation Agreement as right-of-use assets. Accordingly, the entering into of the Commercial Property Leasing and Operation Agreement and the leasing of the Property as contemplated thereunder will be regarded as a one-off acquisition of assets by the Group for the purposes of the Listing Rules. As one or more of the applicable percentage ratios under the Listing Rules in respect of the value of right-of-use assets to be recognised by the Group for the leasing of the Property under the Commercial Property Leasing and Operation Agreement exceed(s) 0.1% but are all less than 5%, the Commercial Property Leasing and Operation Agreement and the transactions as contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 11 November 2022 (after trading hours of the Stock Exchange), the Lessee (a wholly-owned subsidiary of the Company), as lessee, entered into the Commercial Property Leasing and Operation Agreement with the Lessor, as lessor, in relation to the leasing of the Property for operation and management on an as-is basis for a lease term from 12 November 2022 to 31 December 2023.

COMMERCIAL PROPERTY LEASING AND OPERATION AGREEMENT

The principal terms of the Commercial Property Leasing and Operation Agreement are summarised below:

Date

11 November 2022

Parties

- (i) the Lessee, a wholly-owned subsidiary of the Company, as lessee; and
- (ii) the Lessor, as lessor.

Property to be leased

The Property is a commercial property comprising certain units situated at Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC, with a total gross floor area of 28,560.10 square meters.

Term

The Commercial Property Leasing and Operation Agreement shall take effect for a term commencing from 12 November 2022 and ending on 31 December 2023.

The Commercial Property Leasing and Operation Agreement may be renewed as the parties may mutually agree, subject to compliance with the requirements of the Listing Rules and all applicable laws and regulations.

Subject matter

The Lessor has agreed to lease the Property owned by it to the Lessee for operation and management on an as-is basis.

Rental expenses and payment arrangements

The total rent payable by the Lessee to the Lessor under the Commercial Property Leasing and Operation Agreement for the entire term is RMB79.36 million (the “**Total Rent Amount**”), which shall be payable by the Lessee to the Lessor in one lump sum within 15 days after the signing of the Commercial Property Leasing and Operation Agreement.

The Total Rent Amount will be settled by the Group using the net proceeds from the listing of the shares of the Company on the Stock Exchange.

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The Total Rent Amount was determined after arm's length negotiations between the parties with reference to, among other things, factors such as the actual rental income in the past, the terms (including the rental payable and lease terms) of the existing leasing contracts with respect to the Property, the prevailing market rates for comparable properties in similar locations in the PRC and an overall discount of approximately 10% on the total rental amount provided by the Lessor in return for the Lessee agreeing to settle the Total Rent Amount in full by upfront payment in one lump sum.

ACCOUNTING IMPLICATIONS OF THE COMMERCIAL PROPERTY LEASING AND OPERATION AGREEMENT

In accordance with HKFRS 16 "Leases", the Group is required to recognise the leasing of the Property under the Commercial Property Leasing and Operation Agreement as right-of-use assets, and it is currently estimated that the right-of-use assets in an amount of approximately RMB75.58 million will be recognised by the Group as at the date of the commencement of the term of the Commercial Property Leasing and Operation Agreement (i.e. 12 November 2022). The estimated value of the right-of-use assets as disclosed above is unaudited and may be subject to adjustment in the future.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE COMMERCIAL PROPERTY LEASING AND OPERATION AGREEMENT

The Group is a comprehensive property management service provider with extensive geographic coverage in the PRC. To further expand the business scale and diversify the service offerings of the Group and as part of the organic growth of the Group's business, the Company has established a commercial asset management platform which engages in the provision of commercial operational services, mainly for shopping malls, office buildings and other types of investment properties since the second half of 2021.

With the accumulating operational experience in commercial asset management, the commercial asset operation team of the Group has gained stronger asset business canvassing and operation capabilities. With a view of further expanding the Group's asset operation business and further enhancing the Group's expertise in asset operation, the Group has decided to adopt the arrangements under the Commercial Property Leasing and Operation Agreement to develop the new business model of overall contracting commercial assets for one-stop operation and management as an extension of its existing commercial asset management business. The Commercial Property Leasing and Operation Agreement and the transactions as contemplated thereunder allow the Group to launch the new business model for commercial asset one-stop operation and management, which is in line with the objective of the Group to enhance its commercial asset operation scale and capabilities, and is expected to allow the Group to expand its asset operation business, further enlarge its commercial asset management portfolio and exercise its commercial asset operation capabilities in various scenarios, thereby bringing about a positive impact on the marketisation of the Group's brand in commercial asset operation and management and thus benefiting the promotion and expansion of the Group's commercial asset operation and management business in a long run.

In terms of property selection, the Group has adopted a conservative approach with strict selection criteria, having taken into consideration factors including but not limited to the location, title and ownership, occupancy rate and existing tenants' historical payment records with respect to the subject property. The Property is situated in the central business district of Beijing, the PRC with excellent accessibility, good local reputation and unambiguous title and

ownership rights and an occupancy rate of approximately 90% as at 30 June 2022, and the existing tenants of the Property have good and stable historical payment records. In view of the existing high occupancy rate, quality and long-term development prospects of the Property, the Group believes that its existing high occupancy rate could ensure steady operating income to the Group right from the start of the term of the Commercial Property Leasing and Operation Agreement and the Group expects that the quality of the Property with the overall operation and management to be provided by the Group could attract more new tenants going forward and as a result, the selection of the Property as a trial project would pave the way for the success of its new asset operation business model.

In terms of the payment arrangement under the Commercial Property Leasing and Operation Agreement, the upfront payment of the Total Rent Amount in one lump sum was to facilitate the negotiation with the Lessor for a more favourable overall rent in respect of the Property during the term of the Commercial Property Leasing and Operation Agreement from the Company's perspective, allowing the Group to capture and realise the potentials in the Property by locking in the rent payable for the Property at a cost-competitive level and further improve its overall lease income from the market through the provision of quality services for the Property, and hence achieve a higher gain in revenue and profits. The Group has a considerable amount of cash and has no interest-bearing borrowings, and the Company has been continuing to explore ways with manageable risks to increase its return by better utilisation of its existing financial resources, in particular, the deposits and bank balance. It is expected that the total rental income brought by the subleases to the end-user tenants of the Property over the term of the Commercial Property Leasing and Operation Agreement would exceed the Total Rent Amount, the difference of which shall contribute towards profit before taxation to be recognised by the Group. The upfront lump sum payment of the Total Rent Amount is not expected to give rise to excessive and burdensome pressure on the Group's cash flow and liquidity, while the Company expects to derive a notably higher annual return rate from the arrangements under the Commercial Property Leasing and Operation Agreement, as compared to the deposit rate given the current low bank deposit rate environment. Accordingly, the Company considers that the entering into of the Commercial Property Leasing and Operation Agreement would allow the Group to better utilise its cash resources to bring about considerable returns to the Shareholders and the associated risks therewith are manageable.

In view of the above, the Directors (including the independent non-executive Directors but excluding the Abstained Directors) are of the view that the Commercial Property Leasing and Operation Agreement and the transactions as contemplated thereunder were entered into in the ordinary and usual course of business of the Group, and the terms of the Commercial Property Leasing and Operation Agreement, which were determined after arm's length negotiations between the parties thereto, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors is in any way materially interested in the Commercial Property Leasing and Operation Agreement and the transactions as contemplated thereunder. Nevertheless, the Abstained Directors, namely Mr. Cui Hongjie and Mr. Zhu Xiaoxing, have abstained from voting on the Board resolutions approving the Commercial Property Leasing and Operation Agreement and the transactions as contemplated thereunder by virtue of their directorship and/or senior positions in Sino-Ocean Group and/or its associates (other than the Group).

INFORMATION ON THE COMPANY, THE GROUP AND THE LESSEE

The Company is an investment holding company and the Group is a comprehensive property management service provider with extensive geographic coverage in the PRC. The Group's property management services cover a wide range of property types, including residential communities, commercial properties (such as shopping malls and office buildings) and public and other properties (such as hospitals, schools, government buildings and public service facilities). The Group also provides commercial operational services to shopping malls and office buildings, including pre-opening management services and operation management services. In addition to property management services and commercial operational services, the Group provides a variety of community value-added services to property owners and residents of the properties under its management, including community asset value-added services, community living services and property brokerage services, and value-added services to non-property owners, including pre-delivery services, consultancy services and property engineering services to property developers and other property management companies.

The Lessee is a wholly-owned subsidiary of the Company which was established in the PRC with limited liability and is principally engaged in property management in the PRC.

INFORMATION ON THE LESSOR

The Lessor is a branch company of SoG China, which is the owner of the Property. The Lessor is principally engaged in entrusted operation and management of real estate projects. SoG China was established in the PRC with limited liability and is principally engaged in property development in the PRC. As at the date of this announcement, SoG China is a wholly-owned subsidiary of Sino-Ocean Group, which is a controlling Shareholder.

Sino-Ocean Group is a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. It is an investment holding company and a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region and the Western Region. The core businesses of Sino-Ocean Group and its subsidiaries include development of residential property, investment property development and operation, property services and whole-industrial chain construction services, along with synergic businesses in real estate financing, senior living service, logistics real estate and internet data center, etc.

IMPLICATIONS UNDER THE LISTING RULES

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In accordance with HKFRS 16 "Leases", the Group is required to recognise the leasing of the Property under the Commercial Property Leasing and Operation Agreement as right-of-use assets. Accordingly, the entering into of the Commercial Property Leasing and Operation Agreement and the leasing of the Property as contemplated thereunder will be regarded as a one-off acquisition of assets by the Group for the purposes of the Listing Rules. As one or more

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of the applicable percentage ratios under the Listing Rules in respect of the value of right-of-use assets to be recognised by the Group for the leasing of the Property under the Commercial Property Leasing and Operation Agreement exceed(s) 0.1% but are all less than 5%, the Commercial Property Leasing and Operation Agreement and the transactions as contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follows:

"Abstained Directors"	Mr. Cui Hongjie and Mr. Zhu Xiaoxing, each being a non-executive Director
"Board"	the board of Directors
"Commercial Property Leasing and Operation Agreement"	an agreement dated 11 November 2022 entered into between the Lessor and the Lessee in relation to the leasing by the Lessor to the Lessee of the Property for operation and management on an as-is basis for a term from 12 November 2022 to 31 December 2023
"Company"	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 and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 06677)
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HKFRS"	the Hong Kong Financial Reporting Standards published by The Hong Kong Institute of Certified Public Accountants from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Lessee"	Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company
"Lessor"	Beijing Real Estate Operation Management Branch Company* of Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司北京房地產經營管理分公司), a branch company of SoG China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

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“Property”	collectively, certain units situated at Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, PRC (中國北京市朝陽區東四環中路56號遠洋國際中心A座)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Sino-Ocean Group”	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03377) and a controlling Shareholder
“SoG China”	Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of Sino-Ocean Group, which is the owner of the Property
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Rent Amount”	has the meaning ascribed to it under the section headed “COMMERCIAL PROPERTY LEASING AND OPERATION AGREEMENT — Rental expenses and payment arrangements” in this announcement
“%”	per cent

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

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

Hong Kong, 11 November 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.

* *For identification purposes only*