遠洋服務
SINO-OCEAN SERVICE

2022
ANNUAL REPORT

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code:06677.HK

BEING UNDERSTANDING AND INNOVATIVE

CONTENT


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CORPORATE OVERVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. According to China Index Academy, in terms of overall strength in 2022, we were honored 12th in the "2022 TOP100 Property Management Companies in China", "2022 China Leading Property Management Companies — High-end Properties", "2022 Leading Growth Companies in TOP100 Property Service Companies of China" and "2022 Leading Brand in Service Quality in the Property Service Sector of China".

Total Contracted GFA of	Total GFA under management of
149.8 million sq.m.	100.8 million sq.m.

Our history can be traced back to 1997 when we commenced property management services with an initial focus on properties developed by Sino-Ocean Holding, a leading comprehensive property developer in China of which shares are listed on the Main Board of the Stock Exchange (Stock Code: 03377). Since then, we have expanded our geographic coverage from the Beijing-Tianjin-Hebei region to the Bohai Rim region and other regions across China, with a focus on first-tier and second-tier cities in China. Headquartered in Beijing, we had 381 subsidiaries and branch offices across 28 provinces, autonomous regions and municipalities in China as at 31 December 2022.

As of 31 December 2022, our total contracted GFA reached 149.8 million sq.m., covering 92 cities across 28 provinces, autonomous regions and municipalities in China, and we managed 519 properties in China with a total GFA under management of 100.8 million sq.m., including 299 residential communities, 75 commercial properties and 145 other properties. Our property management services cover a wide range of property types, including residential communities, commercial properties (such as shopping malls and office buildings) and public and other properties (such as hospitals, schools, government buildings and public service facilities). We also provide commercial operational services to shopping malls and office buildings, including pre-opening management services and operation management services. In addition to property management services and commercial operational services, we also provide a variety of community value-added services to property owners and residents of the properties under our management, including community asset value-added services, community living services and property brokerage services, as well as value-added services to non-property owners, including pre-delivery services, consultancy services and property engineering services to property developers and other property management companies.

Number of projects under property management services

299	75	145
Residential communities	Commercial properties	Other properties

GEOGRAPHIC COVERAGE

Our projects covered 92 cities across 28 provinces, autonomous regions and municipalities in China.

Beijing-Tianjin-Hebei

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

Bohai Rim

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

Eastern China

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

Southern China

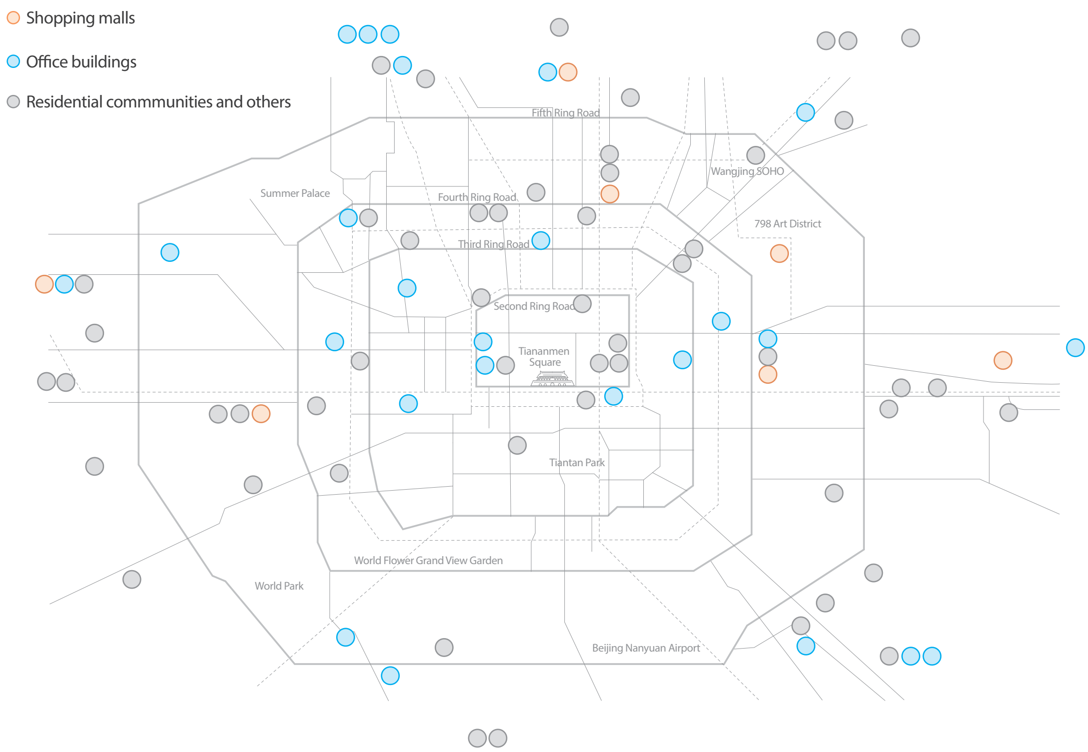
Shenzhen, Guangzhou, Zhongshan, Xiamen, Sanya, Haikou, Foshan, Fuzhou, Dongguan, Heyuan, Huizhou, Jiangmen, Maoming, Nanning, Zhanjiang, Zhangzhou, Liuzhou

Central and Western China

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

84+

Properties under management in Beijing (including commercial operations)

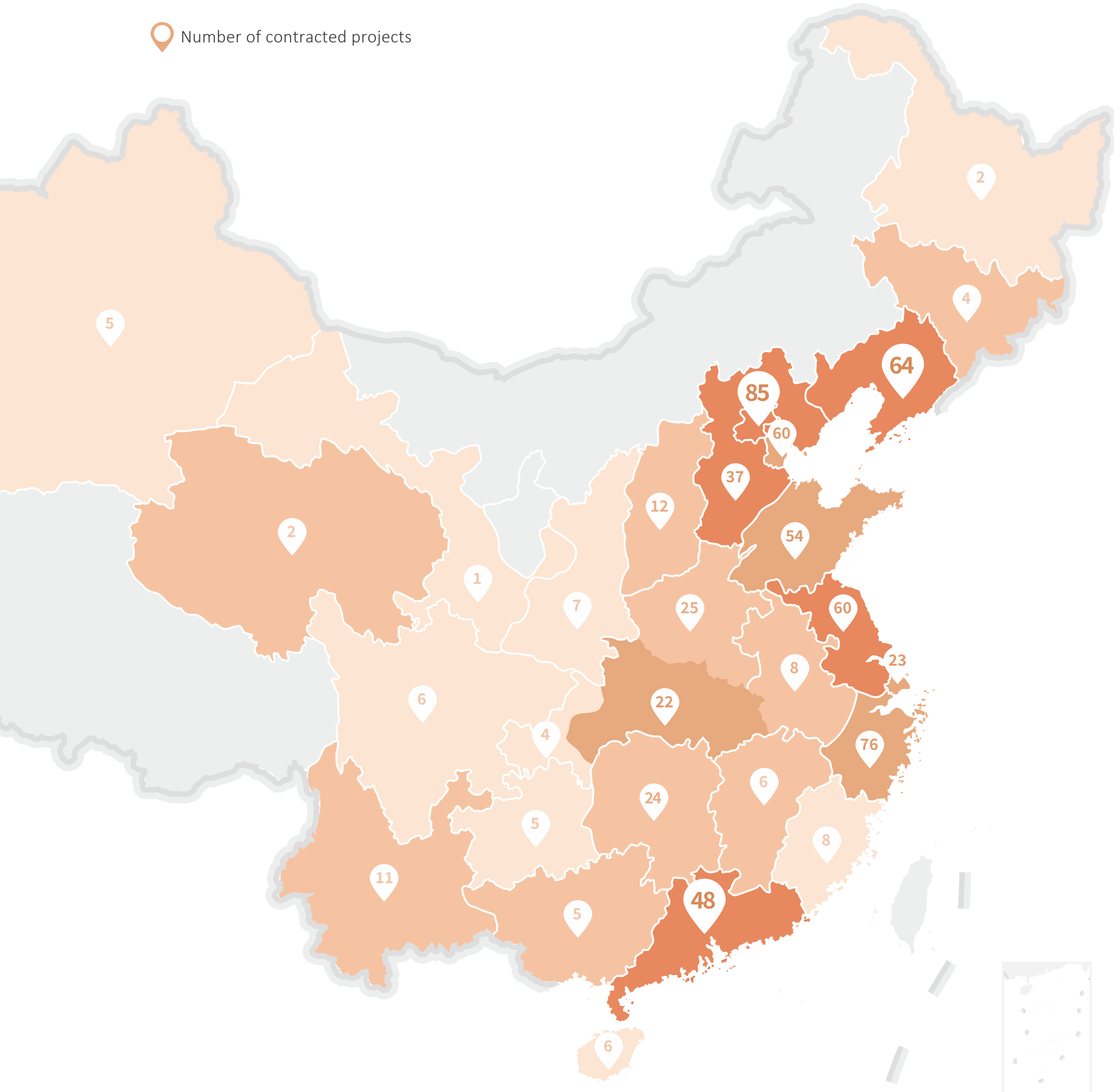


The map below illustrates geographic coverage of the contracted GFA and the number of contracted projects as at 31 December 2022:

Contracted GFA (million sq.m.)

< 1 ⩾1 to <5 ⩾5 to <10 ⩾10

Number of contracted projects



CORPORATE INFORMATION

The corporate information of the Company as of the Latest Practicable Date is set out below:

Directors

Executive Directors

Mr. YANG Deyong (Joint Chairman and Chief Executive Officer)
Ms. ZHU Geying (Chief Operating Officer)

Non-executive Directors

Mr. CUI Hongjie (Joint Chairman)
Mr. ZHU Xiaoxing (Vice Chairman)

Independent Non-executive Directors

Dr. GUO Jie
Mr. HO Chi Kin Sammy
Mr. LEUNG Wai Hung

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Company Secretary

Mr. SUM Pui Ying

Authorised Representatives

Mr. YANG Deyong
Mr. SUM Pui Ying

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business

Headquarters in the PRC
2nd Floor, Tower A
No. A518 East Road of
Chaoyang Sports Center
Chaoyang District, Beijing

Suite 601, One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

(in alphabetical order)
Agricultural Bank of China, Ltd.
Bank of China (Hong Kong) Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China CITIC Bank International Limited
China Construction Bank Corporation
China Everbright Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
CMB Wing Lung Bank Limited
Industrial and Commercial Bank of China, Ltd.
Shanghai Pudong Development Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

Auditor

Fan, Chan & Co. Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisor

Norton Rose Fulbright Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 06677

Company Website

http://www.sinooceanservice.com

Investor Relations Contact

ir@sinooceanservice.com

FINANCIAL AND OPERATIONAL SUMMARY

CONSOLIDATED RESULTS

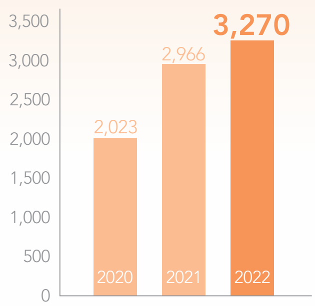
(RMB million)	For the years ended 31 December 2022	2021	Changes
Revenue	**3,270**	2,966	**10%**
Gross profit	**769**	825	**−7%**
Gross profit margin (%)	**24%**	28%	**−4 pts**
Profit for the year	**79**	441	**−82%**
Net profit margin (%)	**2%**	15%	**−13 pts**
Profit attributable to owners of the Company	**75**	439	**−83%**
Basic and diluted earnings per share (RMB)	**0.06**	0.37	**−84%**
Proposed final dividend per share (RMB)	**0.123**	0.093	**32%**

CONSOLIDATED FINANCIAL POSITION

(RMB million)	As at 31 December 2022	2021	Changes
Total assets	**4,086**	3,828	**7%**
Total equity	**2,258**	2,434	**−7%**
Equity attributable to owners of the Company	**2,207**	2,402	**−8%**
Cash resources[1]	**472**	2,527	**−81%**
Current ratio (times)	**1.7**	2.6	**−35%**

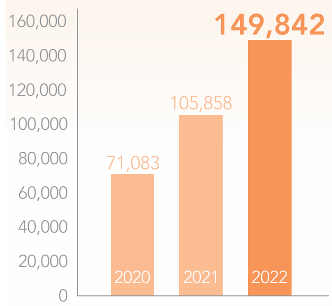
Note:
1) Including the restricted bank deposits

10%
up from 2021



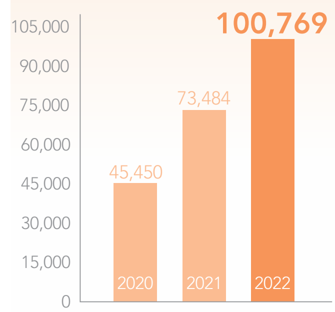
Revenue
(RMB million)

42%
up from 2021



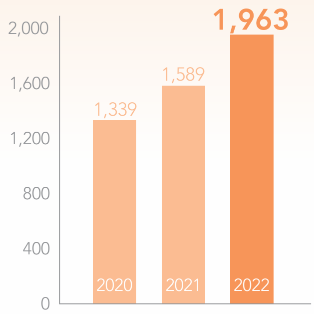
Contracted GFA
('000 sq.m.)

37%
up from 2021



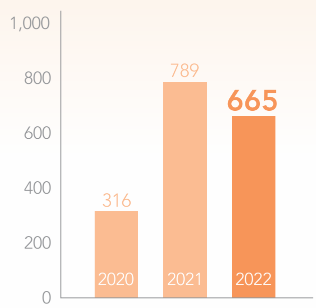
GFA under management
('000 sq.m.)

24%
up from 2021



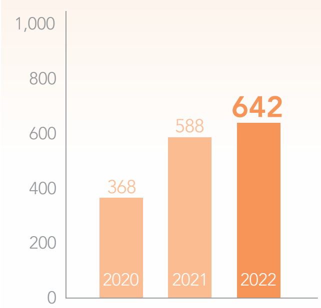
Revenue from property management and commercial operational services
(RMB million)

–16%
down from 2021



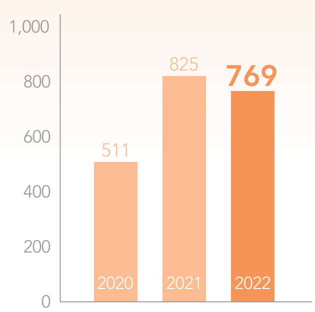
Revenue from community value-added services
(RMB million)

9%
up from 2021



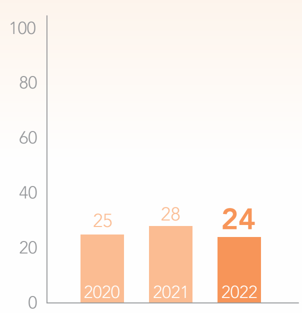
Revenue from value-added services to non-property owners
(RMB million)

–7%
down from 2021



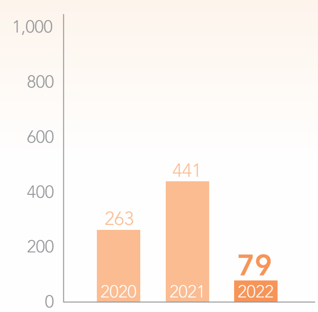
Gross profit
(RMB million)

–4 pts
down from 2021



Gross profit margin
(%)

–82%
down from 2021



Profit for the year
(RMB million)

MAJOR EVENTS

January

Tower C of Ocean Office Park (Beijing) obtained the BOMA COE, underlining recognition of the professional standards in environmental management and asset management achieved by the Group in its office management.

February

Selected as a pilot entity under the retirement service scheme of Beijing Municipal Civil Affairs Bureau as we enhanced pilot policy research and efficiently advanced implementation of the community activity centre for senior citizens to further promote diversified and bespoke community home retirement services.

March

Published the 2021 annual results with its core profit increasing by 79% YoY.

May

Subsidiary Beijing Yingwei Technology Service Co., Ltd.* (北京應維科技服務有限公司) was selected as one of the first member units of each of the Work Group for Data Security Sector Standards and Work Group for Data Security Sector Personnel Training under the Expert Committee on the back of its strengths in technological development and servicing experience.

July

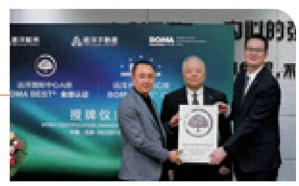
The first "Friendly Neighbors+" campaign was launched across all residential projects in the country under our management, offering activities, such as summer water games for kids, parent-kid moments, care for solitary seniors and a wide range of convenience services, with a view to creating a platform of harmony and inclusivity for property owners catering to the spiritual and cultural dimensions of their life.

August

The "Standard Service White Paper" was compiled and published, presenting a service regime that contained 16 major and sub-segment scenarios, aiming to ensure proper delivery of elementary services on the back of a more standardized and comprehensive property management regime, while fostering an amicable and heartwarming living environment in close tandem with property owners' needs to develop property services covering the entire life cycle of the property, in order to give owners a more positive experience in our services in all aspects.

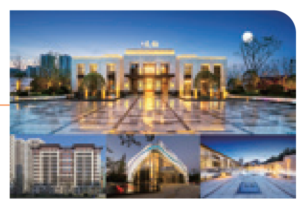
October

Tower A of Ocean International Center (Beijing) obtained BOMA BEST International Management System certification (Gold) as it practised energy conservation and emission reduction in its operations through conversion projects that enhanced energy conservation and exercised control over energy consumption to enhance comfort at offices and reduce the discharge of waste, showcasing its ESG management competence in the context of Dual Carbon and its contributions to the attainment of the Dual Carbon objective.



November

Completed the acquisition of 100% equity interests in Tianjin Xihe Supply Chain Services Co., Ltd.* (天津熙合供應鏈服務有限公司) in an in-depth integration of the advantages offered by each party that added new driving force in terms of regional scale, business presence and strategic development.



AWARDS AND HONORS

China Index Academy

2022 TOP100 Property Management Companies of China (Ranked 12th)
2022 China Leading Property Management Companies — High-end Properties
2022 Outstanding Companies of China in Commercial Property Servicing Competence
2022 Outstanding Companies of China in Office Property Servicing Competence
2022 Leading Growth Companies in TOP100 Property Service Companies of China
2022 Leading Brand in Service Quality in the Property Service Sector of China

JRJ

Green City Operator under "Six Strengths Assessment"

EH Consulting

2022 TOP20 Property Management Companies of China in Comprehensive Strengths
2022 TOP20 Listed Property Management Companies of China
2022 Leading Property Service Companies of China in Competitive Strengths — Northern China
2022 Model Property Service Companies of China (Customer Satisfaction)
2022 Leading Property Service Companies of China in Brand Value
2022 Outstanding Growth Companies in the Property Service Sector of China
2022 Red Properties Benchmark Companies in the Property Service Sector of China
2022 Leading Commercial Property Service Companies in the Property Service Sector of China
2022 TOP10 Listed Property Management Companies of China in Long-term Investment Value

CHAIRMAN'S STATEMENT

On behalf of the Board, I have the pleasure to present the annual results of our group for the 12 months ended 31 December 2022.

2022 REVIEW

2022 was a year which opportunities and challenges co-existed. The importance of property management companies in safe-guarding livelihood and enhancing quality of life was accentuated. Through active participation in curbing the pandemic, caring for the elderlies and children, building a smart community and rejuvenating aging districts, property management took on the vital role of basic governance in the community and connecting the grassroots government and the general public for better cooperation. Being closely concerned with livelihood, property management was recognised as the 'capillaries' in society. Our nation also continued to strengthen governance in the industry, increase policy support at all levels of government from Central to local, and direct the expansion of the industry through multiple major national policies; The 2022 March "Government Working Report" proposed more facilities for caring of the elderlies and children, prompting governments to give more support in planning, land use and housing, also to improve domestic services in both quality and quantity, and the supply of senior living in urban and rural areas. In May, "Opinions on Further Promoting the Construction of Smart Communities" proposed that by 2025, the following should be in place: a basic structure of network management, streamlined services, information support, an open and shared smart community service platform, optimal government guidance, an investment mechanism for smart community construction allowing multi-party participation. These are to encourage social forces to be involved in 'the Internet + community services', to provide innovative services and products. In July, the National Development and Reform Commission announced the "14th Five-Year Plan on New Urbanisation Implementation Plan" in which a higher coverage of property management and service standardisation pilots were proposed. Urban renewal is to focus on transforming the 'three districts one village', namely aging residential quarters, factory buildings, residential blocks and urban villages. In October, "Notice of the General Office of the Ministry of Housing and Urban-Rural Development and the General Office of the Ministry of Civil Affairs on Launching a Complete Community Construction Pilot Work" listed requests on optimising community service facilities, creating comfortable living environments, promoting smart living and upgrading the community governance mechanism. Various policies pin-pointed the weaknesses in the industry and made corrections systematically with a view to encouraging property management companies to carry out substantial developments in 'property + senior living', 'property + technology', 'property + renewal' and value-added services, to extend the boundaries of property services, promote platform development of management enterprises and expansion of value-added community services.

During 2022, the property management industry sought changes under pressure from real estate policy expectations, fundamental changes in the property industry, credit issues of enterprises and receded consumption. On the one hand, the industry's growth mode and sustainable profitability were challenged as both management scale and GFA under management growth rate slowed down. On the other hand, property management enterprises focused more on internal growth, trying to augment efficiency by streamlining management. We also paid more attention to enhancing service quality and professional experience, never losing sight of customers' needs and satisfaction which is what service is all about.

During 2022, we did not forget our original intention and forged ahead diligently, seeking opportunities in crises and marching on in an unpredictable situation. Our Group dedicated to expand our GFA under management, pushing both GFA under management and contracted GFA to exceed the 100 million mark. We consistently acquired quality projects and built benchmarks for the industry, persisted on streamlining management and gradually optimised standardisation of the service system. We explored new operation model, embraced smart services and prioritised service quality to achieve new height in customer satisfaction. We adhered to our starting point of creating quality services with an artisan's spirit and raising owner satisfaction. Our services were user-centric and aimed to raise customer satisfaction to achieve a sustainable and high quality expansion.

2022 RESULTS

For the year ended 31 December 2022, the Group's revenue was RMB3,269.9 million, up approximately 10% YoY, gross profit was RMB769.4 million, down approximately 7% YoY. Due to a significant increase in the impairment provision for amount due from related parties made by adopting a conservative approach taking into account the downturn in the overall real estate market in the PRC, as well as the decrease in overall gross profit margin as a result of the continuous COVID-19 pandemic in the PRC, net profit for the year was RMB78.8 million, down approximately 82% YoY. Profit attributable to owners of the Company was RMB75.4 million, down approximately 83% YoY. Basic earnings per Share was RMB0.06, down approximately 84% YoY.

Deep penetration in key districts and core businesses, expanded urban service chain

As at 31 December 2022, the Group's contracted GFA was 149.8 million sq.m., 44.0 million sq.m. more than the end of 2021; the GFA under management was 100.8 million sq.m., added 27.3 million sq.m. from the end of 2021; outstanding expansion brought accumulated contracted GFA from third parties to 89.1 million sq.m., which increased from approximately 51% to 59% of the total contracted GFA, covering a wide variety of establishments including residential and commercial premises, offices, schools, hospitals, industrial parks, logistics parks, internet data centers, government facilities and urban space.

We focused on cities in established regions, building up our edge in Beijing-Tianjin-Hebei and the Bohai Rim regions, penetrating the Eastern region, the Southern region, the Central region and the Western region. GFA under management in tier 1 and 2 cities reached 86%, laying a solid foundation for the Group's sustainable and quality development. The Group also sped up portfolio diversity by working on logistics and industrial parks, and creating logistics services to high satisfaction. Standardisation of logistics management enabled solid replication of high quality services. During the year, we secured a cooperation deal with JD to provide services for DX JD Asia One using customised and streamlined management to empower the Group to raise efficiency. As regards public facilities, we acquired the first Central authority office property services project, using a single project as a kick-start for cooperation and gradually establishing nationwide procurement links. For the first time, we reached a business cooperation with the military to explore potential cooperation opportunities and to accumulate service experience. Our Group put particular emphasis on quality control on external projects and consistently raised the bar on basic property services. We also managed to include senior schools and hospitals in our portfolio, such as the Shenyang Institute of Technology in the Bohai Rim region and the Sanya Central Hospital in the Southern region, making up for the below-par performance in previous biddings of external projects.

Raised penetration of value-added businesses, satisfied customers' needs

We continued to probe our edge in resources and examine demand trends to offer the most appropriate services to make customers' life easier. We were steadfast in developing the scale of community services, consolidating business foundation, raising business precision and expanding the business. We prioritised customers' real needs and pushed business development in all dimensions and strengthened business core values. While focusing on professional development, we also paid attention to and nurtured new businesses. We continued with deep cultivation of our four major businesses: community living, agency service, home improvement and spatial resources. We optimised our business model and supply chain, formulated and implemented a series of management tools, systems, standards and norms. We promoted procurement in scale, worked more closely with enterprises of high calibre, optimised service quality and precision, and improved service penetration. We enhanced the standardised service system and efficiency, and adapted to the new demand of services. For community living, we upgraded the system functions to handle the growing business volume and needs more efficiently. An online service platform was created for online home services. By bringing in nationwide strategic partners and partial pilot service providers to collect orders or participate in group business models, online + offline combined tripartite platform services were initiated, supporting the catering, education, tourism and other businesses. As regards sale and leasing, we continued to pay attention to resource linking and exploration of a new group purchase model. We opened our own shops and joint-venture shops according to the specific features of the cities. For home improvement, we located new professional suppliers and created multiple scenarios accessible to users to boost sales. We also organised numerous offline events for both old and young customers. For spatial resources, we introduced drinking water, vending machines, charging facilities for new energy vehicles and electric bicycles, enriching the variety of facilities and hugely augmenting convenience for residents living in the community. Supported by policies favouring senior living, we actively tested related services. We studied in depth the noticeable and potential consumption needs for senior living, and repeatedly selected healthcare products and customer services to build senior living stores with brand recognition in the community. During the year, "Sino-Ocean Community Rehabilitation Center" was selected as a key pilot for "property + senior living" by the Beijing Civil Affairs Bureau. Looking ahead, we will carry out deeper exploration and development in community senior living and healthcare.

For value-added services to non-property owners, we worked hard on building our professional capabilities to open up markets, generate long-term stable demands with service quality and made our way into professional service areas through a multitude of cooperation models and enriching our service offerings. Our professional firm, Beijing Yiyang Times Building Technology Co. Ltd. continued to deliver in property engineering services with their continued optimisation of system standardisation and streamlined operation. We established cooperation relationships with large customers including China Rongtong Commercial Service Group Co., Ltd., China Construction Eighth Engineering Division Co., Ltd., Huaxia Property Management Co., Ltd., Jinmao Property Service Co., Ltd., as well as took on some representative projects such as the Beijing National Aquatics Centre and China South-to-North Water Building.

We made an effort in intelligence empowerment, using technology as the core means to raise competitiveness and persevering in the "one body, two wings" business model. One body is 'smart energy service', two-wings are 'smart property SaaS software service' and 'smart community smart integration service'. During 2022, we sped up the construction of the smart community and smart city service platform, and developed the 'Engineering Operation and Maintenance Solutions'. The 'Yijiaxiu Engineering Service Platform' was officially tested online, demonstrating remarkable progress in the efficiency of pilot projects.

Operation of commercial and office spaces + integrated property management service enhanced core value

During the year, we operated on the full-chain service model of "asset management + property management", continued to build our operation capabilities in the asset management platform of commercial and office spaces, and encouraged the recruitment and training of professionals to promptly elevate management prowess. We studied the commercial assets and developed relevant service contents to grow business with commercial enterprises.

As the pandemic went through a volatile phase, we adopted a multitude of measures to stabilise the retail environment for the tenants in shopping malls. We optimised sales model, grasped the changing trends in consumption, and created new hot topics around camping and outdoor sports to boost shopper traffic offline. At the same time we built a membership system, online sales channels such as shop city and live events to stimulate traffic and raise user stickiness. As the pandemic subsided, we swiftly changed tactics and were agile in organising offline activities, arousing vibes to encourage sales.

We consolidated our current operation experience in offices and further improved the level of standardised services and competitiveness. We continued to strengthen our agile leasing strategies, capture the latest market information and adjust our strategies swiftly. We analysed the composition of tenants in each office block and estate, applied specific strategy to each block and specific policy to each estate, boosting leasing rate effectively. We persisted in providing multi-dimensional and personalised upgraded services including comprehensive value-added services, special services and community services to satisfy customers' various needs and increase customer stickiness effectively. We continued to set high standards in user-orientation and provide a variety of specialty products and services.

We persevered with intensive cultivation, consistently elevated our capabilities in mid to high-end commercial property services, stayed in sync with their development trend and understood customers' core needs precisely. We made improvements in all aspects including tenant satisfaction study, management system optimisation, professional training of management team and examination of our current operation. We also kept pace with the double carbon era, adhered to the concept of 'building • health' to build green and reduce carbon emission. In 2022, the Beijing Guanghua Ocean International Center Tower C that we serviced renewed the BOMA China COE certification, the Beijing Ocean International Center Tower A was awarded the first BOMA BEST gold certification in Beijing, demonstrating our determination and ability in building healthy and raising asset management capacity.

Consistently raised customer satisfaction, stood by our social responsibility with conviction

We were steadfast at being customer-centric and satisfied owners' desire for quality life at all times. We consolidated the cornerstone of service quality, raised service capability and turned high quality services into differentiating competitiveness. Overall level of satisfaction continued to climb. A survey by the China Index Academy indicated that our overall satisfaction in 2022 reached the score of 90, an outstanding industry level.

We were unwavering in pushing ahead with the standardisation and streamlining of property management. In 2022, we issued the "White Paper on Standardised Services". With owners' life needs in mind, we created basic services for 16 subdivided scenarios, establishing a feasible and practicable standardised system for basic services. As always, we truly believed that our staff is our foundation, and continually raised their quality and assisted them to realise their self-worthiness through special training, assessment and incentive mechanism. We used our advantage in human resources in penetrated regions to raise cost-effectiveness, management efficiency and labour performance. We lived up to the expectations of society and the general public and stood by our social responsibilities. We consistently strengthened our Environmental, Social and Governance system and were steadfast at green operation. Through systematic classification, we managed various emissions and wastes and used various types of energy efficiently. We operated with integrity, built a responsible supply chain and elevated customer service experience, securing a stable growth for the Company. We earned unanimous approval by the owners and the industry with entrenched branding and superb service quality. As numerous honours were bestowed upon us our brand value became even more prominent. These included 2022 TOP100 Property Management Companies of China (Ranked 12th), 2022 Leading Brand in Service Quality in the Property Service Sector of China issued by the China Index Academy, and 2022 Model Property Service Companies of China (Customer Satisfaction) issued by EH Consulting.

2023 OUTLOOK

As economic vitality and social life recover, we believe that property management enterprises will be on a path of stable expansion given the industry's growth tenacity, light asset and high efficiency. At the same time, we can see that competition within the industry is becoming increasingly fierce. The industry will evolve from 'incremental' to 'stock', from 'unipolar' to 'diversified', from 'construction' to 'service' and from 'capital' to 'brand'. Core competition among property management enterprises will be determined to a large extent by brand recognition, service capability and operation capacity.

In 2023, we will embrace changes with high hopes, adhere to our original intention to raise service quality, augment competitiveness, tap into growth potential and be innovative in management. We will continue with the strategic planning of "one body, two wings", adjust business structure, remodel business expansion, implement policies specific to different segments, select primarily residential, commercial and office spaces, promote quality projects, cultivate deeply all potential cooperation channels in the region and adopt various proposals specific to different types of space. We will persevere with intensive cultivation and our mission of 'serving customers with an artisan's spirit'; build our principal products, market and team for sustainable development with model and scale. We will continue to optimise the standardised and systemised operation to ensure service of superior quality. The road may be long and full of obstacles, but we will get there by forging ahead. We will remain committed to expanding the sustainable and quality service industry, overcoming all difficulties and building inner strength for self-reliance. We are determined to become a branded superior integrated property management service provider in China.

APPRECIATION

On behalf of the Board, I would like to extend my deepest gratitude to all Shareholders, investors, customers, business partners, the government and all the Directors, management and the entire staff who have worked together with the Group. We could not have enjoyed our continued stable growth without their unreserved support.

YANG Deyong

Joint Chairman

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of the Group's discussion and analysis for the year ended 31 December 2022 is set out below:

BUSINESS REVIEW

Business overview

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

The Group's services include three principal business segments: (i) property management and commercial operational services; (ii) community value-added services; and (iii) value-added services to non-property owners.

Property management and commercial operational services

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

Property management services on residential and other non-commercial properties

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

Commercial operational and property management services on commercial properties

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

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

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

Community value-added services

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

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

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

(iii) property brokerage services.

Value-added services to non-property owners

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

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

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

(iii) property engineering services.

PROPERTY MANAGEMENT AND COMMERCIAL OPERATIONAL SERVICES

For the year ended 31 December 2022, the Group's revenue from property management and commercial operational services amounted to RMB1,962.6 million, accounting for approximately 60% of the Group's total revenue.

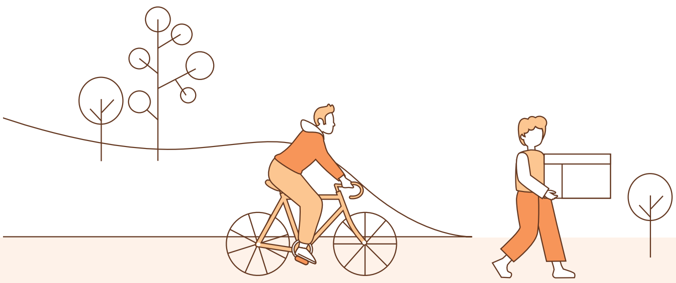
The table below sets forth a breakdown of segment revenue for the Group's property management and commercial operational services by business types:

	For the year ended 31 December			
	2022		2021	
	Revenue (RMB'000)	%	Revenue (RMB'000)	%
Property management services on residential and other non-commercial properties	1,433,453	73	1,126,331	71
Commercial operational and property management services on commercial properties	529,120	27	462,064	29
Total	1,962,573	100	1,588,395	100

Business expansion facilitated by multiple drivers as diverse business lines underpinned stable growth. As of 31 December 2022, our contracted property management services for various business types amounted to 670 projects, with contracted GFA of 149.8 million sq.m. and GFA under management of 100.8 million sq.m., growing by approximately 42% and 37%, respectively, compared to 31 December 2021. During the year, the Group sought expansion through multiple channels, such as tendering, merger and acquisition, joint venture and strategic cooperation, as it continued to expand its diverse servicing regime covering schools, hospitals, industrial parks, logistics parks, internet data centers, government facilities and urban space on top of residential properties in an active bid to engage integrated urban operational services and smart city development.

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

	As at 31 December	
	2022	2021
Contracted GFA ('000 sq.m.)	149,842	105,858
Number of projects relating to contracted GFA	670	488
GFA under management ('000 sq.m.)	100,769	73,484
Number of projects relating to GFA under management	519	360



Cementing our business foundation in advantageous regions and boosting our presence in areas promising high energy levels in ongoing enhancement of our ability for independent market development. The Group continued to engage in in-depth operations in advantageous regions and enhance its independent market development ability by introducing strategic resources, creating benchmark projects and increasing performance-based incentives. For 2022, the percentage share of third parties in the Group's contracted GFA of property management service projects further increased to approximately 59%, with third parties accounting for approximately 84% of our newly added contracted GFA.

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

	As at 31 December							
	2022				2021			
	Contracted GFA ('000 sq.m.)	%	GFA under management ('000 sq.m.)	%	Contracted GFA ('000 sq.m.)	%	GFA under management ('000 sq.m.)	%
Properties developed/owned by Sino-Ocean Group (including its joint ventures and associates)	60,757	41	48,318	48	52,254	49	40,687	55
Properties developed/owned by other third parties[1]	89,085	59	52,451	52	53,604	51	32,797	45
Total	149,842	100	100,769	100	105,858	100	73,484	100

Note:

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

As of 31 December 2022, our projects covered 92 cities across 28 provinces, autonomous regions and municipalities in China. Our geographical coverage has expanded from the Beijing-Tianjin-Hebei region to the Bohai Rim region and other regions in China, covering 5 major city clusters in the nation. We continued to enhance business development in the Beijing-Tianjin-Hebei and Bohai Rim regions, while making strong efforts to explore the Eastern China, Southern China and Central and Western China regions, reporting notable business coverage and growth in the Eastern China region. As of 31 December 2022, the Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China region, Southern China region, and Central and Western China region accounted for approximately 33%, 22%, 20%, 10% and 15%, respectively, of our GFA under management.

The table below sets forth a breakdown of the Group's contracted GFA and GFA under management by geographic location as at the dates indicated and revenue generated from its property management services for the years ended 31 December 2022 and 2021, respectively:

	As at or for the year ended 31 December							
	2022				2021			
	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	Revenue (RMB'000)	%	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	Revenue (RMB'000)	%
Beijing-Tianjin-Hebei region[1]	48,649	33,340	687,452	37	32,312	24,615	613,456	40
Bohai Rim region[2]	30,386	21,813	339,970	18	23,903	19,215	312,025	20
Eastern China region[3]	27,433	20,720	410,337	22	16,361	11,891	290,719	19
Southern China region[4]	18,750	10,092	228,027	12	16,783	8,461	193,535	13
Central and Western China region[5]	24,624	14,804	209,517	11	16,499	9,302	120,168	8
Total	149,842	100,769	1,875,303	100	105,858	73,484	1,529,903	100

Note:

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

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

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

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

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

The Group's projects are mainly concentrated in first-tier and second-tier cities such as Beijing, Tianjin, Hangzhou and Chengdu. First-tier and second-tier cities accounted for approximately 86% of our GFA under management.

The table below sets out a breakdown of the contracted GFA and GFA under management in cities where the Group's property management service projects were primarily located as at 31 December 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	23,945	16	20,755	21
New first-tier cities	35,146	23	25,758	25
Second-tier cities	53,828	36	40,243	40
Other cities	36,923	25	14,013	14
Total	149,842	100	100,769	100

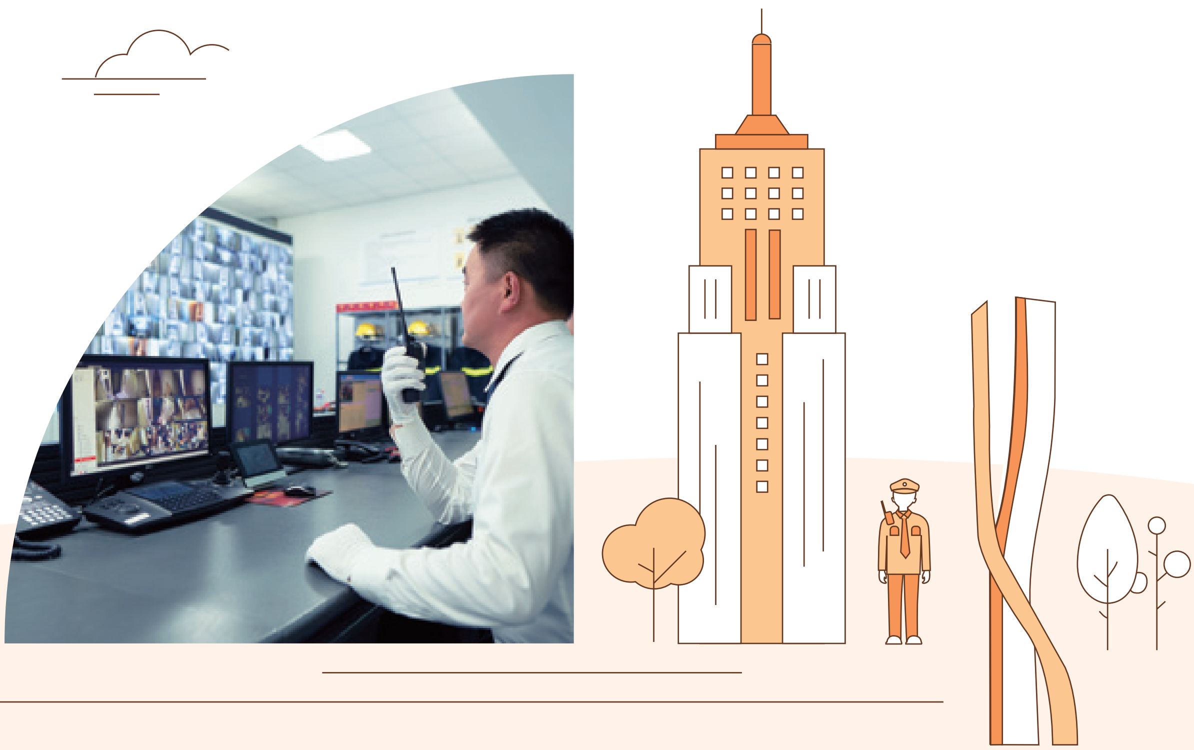
Staying focused on principal servicing business to enhance differentiated competitive edge and achieve qualitative and sustainable development. During 2022, we were focused on our principal servicing business and persisted in providing services to users with an artisan's spirit and improving our service quality to enhance our differentiated competitive edge by increasing the coordination of premium services and achieve qualitative and sustainable development. The Group recorded a 93% property management fee payment ratio. We have strengthened the development of and training in service standardisation with the compilation of a white paper and a video presentation for service standards to further reinforce service standardisation and enhance customers' appreciation for services as part of our effort to foster a healthy lifestyle for them. 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. We have also forged a security service with Sino-Ocean characteristics with the formation of the "Sino-Ocean Armed Patrol Force" and "Voluntary Fire Service Squad" to enhance the security aspect of our community services and effectively improve our service team's ability to deal with emergencies and violence, so as to protect the owners and their properties. Customer satisfaction as well as management efficiency have been effectively enhanced through adjustments to job requirements, service standards and roster arrangements. The "100-day Incident-free Safety Campaign" was launched across the country, completing inspection and rectification of more than 1,000 safety hazards. During the recurring outbreaks of the COVID-19 pandemic, the Group acted swiftly in compliance with the government's anti-epidemic requirements to arrange and plan for anti-epidemic tasks at projects under lockdown, where our employees 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 a full effort to safeguard the residents' health and safety that has won the recognition and appreciation of the communities and the owners.

• Property management services on residential and other non-commercial properties

As of 31 December 2022, the contracted GFA and GFA under management of the Group's residential and other non-commercial property projects were 138.2 million sq.m. and 94.1 million sq.m., respectively, growing by approximately 40% and 36%, respectively, as compared to 31 December 2021. There were a total of 576 contracted property management projects, representing an approximate 34% growth compared to 31 December 2021.

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

	As at 31 December	
	2022	2021
Contracted GFA ('000 sq.m.)	**138,180**	98,535
Number of projects relating to contracted GFA	**576**	430
GFA under management ('000 sq.m.)	**94,106**	69,335
Number of projects relating to GFA under management	**444**	319



• Commercial operational and property management services on commercial properties

For the year ended 31 December 2022, the Group's revenue from commercial operational and property management services on commercial properties amounted to RMB529.1 million, growing by approximately 15% compared to the previous year. The Group provides commercial operational and property management services primarily to shopping malls and office buildings.

Optimising quality of mid- to high-end commercial property services while underpinning sustainability with green building concepts. As of 31 December 2022, the Group's commercial property management service projects with a contracted GFA amounted to 11.7 million sq.m. and GFA under management of 6.7 million sq.m., growing by approximately 59% and 61%, respectively, as compared to 31 December 2021. First-tier and second-tier cities accounted for 99% of our GFA under management. Focused on the two principal business forms of shopping malls and office buildings, the Group's commercial property management services continued to enhance rudimentary service standards and quality, while effectively improving customer satisfaction and reliance through the organisation of a variety of feature community and cultural activities. The average property management fee for the year was RMB12.1/sq.m./month. In the meantime, we practiced sustainable property management to the maximum extent by enhancing our energy utilisation ratio and resource utilisation ratio in adherence to the concept of "Building • Health".

Exploring business models on the back of commercial asset platform while enhancing the ability to operate commercial office buildings property management business. Since August 2021, the Group has started to comprehensively undertake commercial operational services for shopping malls and office buildings of Sino-Ocean Group. A commercial asset management platform has been established to accumulate experience in asset-light management and enhance project quality and profitability by leveraging fully advantages afforded by the platform. For 2022, the gross profit margins of commercial operational services for shopping malls and office buildings were approximately 28% and 35%, respectively. In respect of shopping malls, we have continued to stimulate private traffic and increase tenants' exposure by forming exclusive members' communities, online retail park and live cast, in order to help boost their business and increase the reliance of users. In respect of office buildings, we have effectively enhanced customers' reliance and increased the tenant renewal rate through collaborative actions of the projects drawing on the aggregated experiences of our existing projects in operations and management. In addition to rudimentary property services provided at superior standards, we have also continued to optimise the feature service regime of our projects, establishing project community regimes and organising feature community activities during festive seasons and holidays in tandem with the principle of "serving customers with an artisan's spirit", in order to enhance the sense of belonging on the part of customers and increase the exposure of our projects, thereby achieving improvements in renewal rates, new customer referral and conversion rates, as well as the rental level.

Shopping malls

For the year ended 31 December 2022, the Group's revenue from commercial operational and property management services for shopping malls amounted to RMB295.0 million, growing by approximately 17% compared to the previous year.

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

	As at 31 December	
	2022	2021
Property management services		
Contracted GFA ('000 sq.m.)	**9,347**	5,678
Number of projects relating to contracted GFA	**60**	35
GFA under management ('000 sq.m.)	**4,721**	2,722
Number of projects relating to GFA under management	**43**	21
Commercial operational services		
Contracted GFA ('000 sq.m.)	**934**	905
Number of projects relating to contracted GFA	**12**	11
GFA under management ('000 sq.m.)	**617**	600
Number of projects relating to GFA under management	**9**	8

As at 31 December 2022, the Group provided commercial operational services to 9 shopping malls in operation, including 1 shopping mall which successfully commenced operation during the year and 3 projects in reserve 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 information of the shopping malls in operation and pending operation to which the Group provided commercial operational services by brand series as at 31 December 2022:

Brand series	In operation		Pending operation	
	Number of projects	Total GFA ('000 sq.m.)	Number of projects	Total GFA ('000 sq.m.)
"Grand Canal Place" Series	1	138	1	104
"Lane" Series	0	0	1	175
"We-life" Series	8	479	1	38
Total	9	617	3	317

Office buildings

For the year ended 31 December 2022, the Group's revenue from commercial operational and property management services for office buildings amounted to RMB234.1 million, growing by approximately 11% compared to the previous year.

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

	As at 31 December	
	2022	2021
Property management services		
Contracted GFA ('000 sq.m.)	2,315	1,645
Number of projects relating to contracted GFA	34	23
GFA under management ('000 sq.m.)	1,942	1,427
Number of projects relating to GFA under management	32	20
Commercial operational services		
Contracted GFA ('000 sq.m.)	1,423	1,198
Number of projects relating to contracted GFA	20	15
GFA under management ('000 sq.m.)	1,003	778
Number of projects relating to GFA under management	17	12

As at 31 December 2022, the Group provided commercial operational services to 17 office buildings in operation and had 3 projects in preparation, with a total contracted GFA of 1.4 million sq.m, including 3 external projects from third parties accounting of approximately 14% of the total contracted GFA.

COMMUNITY VALUE-ADDED SERVICES

Focused on the established businesses in vertical expansion. For the year ended 31 December 2022, revenue from community value-added services amounted to RMB665.0 million, decreasing by approximately 16% compared to the previous year and accounting for approximately 20% of the Group's total revenue. In 2022, we have enhanced our business precision with ongoing improvements in our product offering ability on the back of in-depth efforts exploring the four principal business focuses of "community living, leasing and sale, home decoration and spatial resources". In connection with community living services, the "Yi Life" online retail platform was upgraded with continuous enrichment in the range of products available. Premium local suppliers and other resources for cooperation were introduced to cater to regional differences in demand, complemented by marketing activities with special themes. In connection with lease and sales services, we were primarily engaged in leasing activities with a special focus on demands for home upgrades, as we adjusted our business direction in the wake of cyclical fluctuations in asset value. Regarding home decoration services, the implementation of our standardised product matrix was met with a strong level of business satisfaction, while initial success was reported from the pilot operation of the new home business. Meanwhile, breakthroughs were achieved in the business model for existing homes. In connection with spatial resources, reasonable plans for utilisation were made in tandem with the principle of "fostering a community of convenience", as services and facilities such as drinking water machines and power charging stands were installed where appropriate to enhance convenience for the community on the basis of detailed management and safe operation.

Vigorous exploration of new businesses to identify new scope for growth. While reinforcing our principal business, we were also actively involved in the collaborative development of the community retirement industry, in a bid to open up a new scope for growth in the community value-added services. Selected as a pilot entity of the "property service + retirement service" scheme of Beijing Municipal Civil Affairs Bureau in early 2022, the Group was able to improve its retirement service regime with the benefit of policy support while providing experiences for the development of this sector. A pilot community retirement facility was built at Ocean Paradise (Beijing) to provide elderly property owners with services such as home conversion for aged residents, catering, daily-life services, entertainment, community welfare and medical care. The door-step and remote community retirement service models were consistently verified and upgraded to build up service experience and lay a solid foundation for the burgeoning development of the new business.

The following table sets forth a breakdown of the Group's revenue generated from community value-added services by service types for the years ended 31 December 2022 and 2021, respectively:

	For the year ended 31 December			
	2022		2021	
	(RMB'000)	%	(RMB'000)	%
Community asset value-added services[1]	364,543	55	326,565	41
Community living services[2]	197,998	30	256,671	33
Property brokerage services[3]	102,419	15	205,599	26
Total	664,960	100	788,835	100

Note:

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

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

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

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Active development of the market for facilities and equipment maintenance and promotion of "engineering maintenance solutions" in line with the development trends of the facilities and equipment maintenance sector. For the year ended 31 December 2022, revenue from value-added services to non-property owners amounted to RMB642.4 million, increasing by approximately 9% as compared to the previous year and accounting for approximately 20% of the Group's total revenue. On the back of our extensive management experience and build-up of specialised technologies in engineering maintenance and intelligent service, we have developed "Yi Maintenance", an online platform for engineering services designed to optimise the standardisation regime and operational modulation regime, formulate standardised processes for the maintenance work of difference services, and facilitate the bidding/distribution of work orders within an administrative region, in a bid to solidify the foundation on which the facilities and equipment maintenance business could expand. Based on its understanding of the critical needs of customers requiring equipment maintenance service, the Group developed a one-stop engineering maintenance service solution during the year based on the "facilities and equipment maintenance" and "value-added engineering services" regimes with a broader range of equipment services and further breakdown of value-added services, with a view to increasing customer reliance.

The following table sets forth a breakdown of the Group's revenue generated from value-added services to non-property owners by service types for the years ended 31 December 2022 and 2021, respectively:

	For the year ended 31 December			
	2022		2021	
	(RMB'000)	%	(RMB'000)	%
Pre-delivery services[1]	210,512	33	204,109	35
Consultancy services[2]	191,329	30	136,396	23
Property engineering services[3]	240,531	37	247,824	42
Total	642,372	100	588,329	100

Note:

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

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

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

FUTURE DEVELOPMENT PLANS AND OUTLOOK

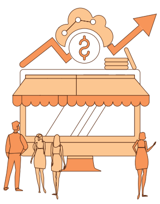
Enhancing ability to develop third-party customers to step up with business independence.

We will enhance our ability to develop third-party customers by continuously optimising our deployment in advantageous cities and diversifying our channels, in a bid to expand our business scale and service types, while exercising close control over the operating efficiency of our projects to fortify our ability in independent development. We will continue to deepen cultivation in first- and second-tier cities and other strategic cities in regions where we have established a heavy presence, while making intensive efforts to engage in cities with high energy level and expand our detailed operation to magnify the effect of regional synergetic management and procure quality and efficiency enhancement at the projects. To complement intensive development of our principal business lines of residential and commercial properties, we would also diversify to other sectors such as public facilities, logistic parks and schools in an expedited move to establish our presence across multiple sectors and enhance our competence in integrated development. We will vigorously explore property management services for a diverse range of sectors through channel development and strategic cooperation and act swiftly to complement our existing portfolio with sectors that offer growth potential and synergy such as hospital, schools, government buildings and industrial parks. We will also step up with the introduction and retention of strategic customers by understanding their sophisticated needs and providing bespoke property management services accordingly, so as to lay a solid foundation for ongoing expansion of our GFA under management.

Staying focused on our principal servicing business and persisting in providing services with an artisan's spirit to enhance our differentiated competitive edge.

We will monitor owners' complaints on a real-time basis and exercise due control to ensure that complaints are addressed and handled on a timely manner, so as to enhance customer satisfaction with our response to issues. At the project level, there will be zero tolerance for complaints against negative staff attitude to customers. Based on the existing job description and key duty indicators of the butler team, high-calibre butlers will be identified through detailed assessment rules in the formation of a new regime compatible with the existing business model. We will persist in a customer-centric approach in our effort to strengthen customer relations management and customer research, as we seek to match users' essential needs with precision and fully identify their potential needs so as to offer suitable community value-added services. Meanwhile, we will enhance communication and cooperation with the owners' committees of projects. For projects where the establishment of owners' committees is planned, we would procure that such committees are established in a proactive, healthy and compliant manner. For projects where owners' committees have already been established, we will ensure the sharing of information, mutual benefits through coordinated actions and mutual fulfilment as we persist in providing users with high-quality services to effectively enhance customer satisfaction and reliance on top of meeting their needs.

Optimising our business mix and enriching our regimes with multiple business lines to develop strategic business growth poles.



On top of persistence in our principal business, we will also proactively adjust our business mix based on our inherent strengths. In connection with community value-added services, we will devote intensive efforts to the four principal business focuses in a bid to enhance precision of our vertical business. In addition to reinforcing the foundation of our principal business, we will also explore the new value-added service of community retirement in active response to policy support. In connection with value-added services to non-property owners, we will emphasize the forging of specialised servicing capabilities while refining our value-added service types to form one-stop engineering maintenance service solutions. We will enhance our ability to operate the commercial office buildings property management platform in further enhancement of our operating and management competence, while identifying the needs of customer groups in the commercial office building segment with in-depth effort to optimise our end-to-end service chain regime comprising rudimentary property management service and light-asset commercial asset management service, with a view to expanding our commercial office building segment to increase profitability and enhance core competitiveness. We will explore complementary feature services compatible with the commercial assets and consolidate our teams and resources for property management and commercial operational services to further leverage the operational advantage of our commercial asset management platform, where marketing activities will be designed on the back of multi-dimensional data tests and computations and intelligence-based analyses, as we optimise our operational and management strategy primarily through digitalisation to enhance our ability in detailed operation and increase the operating efficiency of our projects.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2022 increased by approximately 10% to RMB3,269.9 million, from RMB2,965.6 million in 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 60%, 20% and 20% of the Group's total revenue in 2022, respectively.

The following table sets forth the breakdown of our revenue by business lines for the years ended 31 December 2022 and 2021 respectively:

	For the years ended 31 December			
	2022		2021	
	(RMB'000)	**%**	(RMB'000)	%
Property management and commercial operational services				
(a) Property management services on residential and other non-commercial properties	**1,433,453**	**44**	1,126,331	38
(b) Commercial operational and property management services on commercial properties	**529,120**	**16**	462,064	15
Sub-total	**1,962,573**	**60**	1,588,395	53
Community value-added services	**664,960**	**20**	788,835	27
Value-added services to non-property owners	**642,372**	**20**	588,329	20
Total	**3,269,905**	**100**	2,965,559	100

Revenue from property management and commercial operational services increased by approximately 24% to RMB1,962.6 million in 2022 from RMB1,588.4 million in 2021, among which, (a) revenue from property management services on residential and other non-commercial properties increased by approximately 27% to RMB1,433.5 million in 2022 from RMB1,126.3 million in 2021. The increase was mainly attributable to an increase in our GFA under management, which reached 94.1 million sq.m. as at 31 December 2022 (31 December 2021: 69.3 million sq.m.) with an increase in the number of properties under management to 444 as at 31 December 2022 (31 December 2021: 319), due to our business expansion; and (b) revenue from commercial operational and property management services on commercial properties increased by approximately 15% to RMB529.1 million in 2022 from RMB462.1 million in 2021. The increase was mainly attributable to (i) an increase in our GFA under property management services, which reached 6.7 million sq.m. as at 31 December 2022 (31 December 2021: 4.1 million sq.m.) with an increase in the number of commercial properties under property management services to 75 as at 31 December 2022 (31 December 2021: 41), due to our business expansion; and (ii) the extension of commercial operational services to the owners of shopping malls and office buildings for 26 projects (31 December 2021: 20), with a total GFA under management of 1.6 million sq.m. as at 31 December 2022 (31 December 2021: 1.4 million sq.m.).

Revenue from community value-added services decreased by approximately 16% to RMB665.0 million in 2022 from RMB788.8 million in 2021. The decrease was mainly attributable to the net effect of the below factors: (i) revenue from community living services decreased by approximately 23% to RMB198.0 million in 2022 from RMB256.7 million in 2021; (ii) revenue from property brokerage services decreased by approximately 50% to RMB102.4 million in 2022 from RMB205.6 million in 2021, of which such decreases were mainly due to the downturn in the overall PRC real estate market and the severe resurgence of the COVID-19 pandemic; and (iii) revenue from community asset value-added services increased by approximately 12% to RMB364.6 million in 2022 from RMB326.5 million in 2021, mainly due to the increase in income generated from carpark management services and community space operation services.

Revenue from value-added services to non-property owners increased by approximately 9% to RMB642.4 million in 2022 from RMB588.3 million in 2021. The increase was mainly attributable to revenue from consultancy services which increased by approximately 40% to RMB191.3 million in 2022 from RMB136.4 million in 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-sales activities.

Cost of sales

Cost of sales increased by approximately 17% to RMB2,500.5 million for the year ended 31 December 2022 as compared with that of RMB2,140.7 million for the year ended 31 December 2021. The increase was in line with to the increase in the Group's revenue.

The cost of sales comprised mainly (i) staff cost; (ii) sub-contracting costs for security, greening and cleaning; (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.

Staff cost for the year ended 31 December 2022 increased by approximately 31% to RMB813.7 million as compared with that of RMB620.6 million for the year ended 31 December 2021, which was in line with the continuous increase in the number and scale of the Group's projects under management.

Sub-contracting costs for security, greening and cleaning for the year ended 31 December 2022 increased by approximately 25% to RMB864.3 million as compared to RMB689.4 million for the year ended 31 December 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 the increase in their staff costs.

Maintenance expenses increased by approximately 15% to RMB266.9 million for the year ended 31 December 2022 as compared to RMB232.4 million for the year ended 31 December 2021, which was in line with the increase in our GFA under management. Cost of consumables and raw materials decreased slightly by approximately 2% to RMB128.3 million for the year ended 31 December 2022, which was in line with the decrease in income generated from our community value-added services.

Cost of goods sold and sub-contracting costs for home decoration and property agency services decreased to RMB92.7 million and RMB34.7 million for the year ended 31 December 2022, respectively, as compared to RMB115.6 million and RMB100.0 million for the year ended 31 December 2021, respectively, which was in line with the decrease in income generated from retail sales of commodities, home decoration and property brokerage services.

Gross profit and gross profit margin

Gross profit decreased by approximately 7% to RMB769.4 million for the year ended 31 December 2022 from RMB824.8 million for the year ended 31 December 2021. Our overall gross profit margin decreased to approximately 24% for the year ended 31 December 2022 from approximately 28% for the year ended 31 December 2021, mainly attributable to the decrease in revenue generated from community value-added services (the gross profit margin of which is generally comparatively higher than other services provided by the Group) for the year ended 31 December 2022 as a result of the continuous COVID-19 pandemic in the PRC during the year ended 31 December 2022.

The table below sets forth the breakdown of our gross profit and gross profit margin by business lines for the years indicated:

	For the years ended 31 December			
	2022		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	%	(RMB'000)	%
Property management and commercial operational services				
(a) Property management services on residential and other non-commercial properties	**247,112**	**17**	222,283	20
(b) Commercial operational and property management services on commercial properties	**145,284**	**27**	155,702	34
Sub-total	**392,396**	**20**	377,985	24
Community value-added services	**241,721**	**36**	316,495	40
Value-added services to non-property owners	**135,324**	**21**	130,355	22
Total	**769,441**	**24**	824,835	28

Gross profit margin for property management and commercial operational services decreased from approximately 24% for the year ended 31 December 2021 to approximately 20% for the year ended 31 December 2022, which was primarily due to (i) additional expenditures incurred on the new projects which were under integration period; and (ii) the rise in labour and energy costs during 2022.

Gross profit margin for community value-added services decreased from approximately 40% for the year ended 31 December 2021 to approximately 36% for the year ended 31 December 2022 which was primarily attributed to (i) the lower gross profit margins of our home decoration services and retail sales of commodities businesses due to increasing competitive landscapes within the sectors; and (ii) decrease in income generated from our brokerage business with a relative higher gross profit margin, due to the resurgence of the COVID-19 pandemic.

Gross profit margin for value-added services to non-property owners remained broadly stable at approximately 21% for the year ended 31 December 2022 (For the year ended 31 December 2021: approximately 22%).

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

Other income and other net losses

The other income for the year ended 31 December 2022 mainly comprised government grants and interest income. The other income decreased by approximately 17% to RMB29.5 million for the year ended 31 December 2022 from RMB35.6 million for the year ended 31 December 2021. The decrease was mainly attributable to the decrease of interest income from bank deposit due to the decline in our bank balance and interest rate during 2022.

We recorded other net losses of RMB4.2 million for the year ended 31 December 2022 (For the year ended 31 December 2021: RMB7.2 million). Other net losses mainly comprised of net foreign exchange losses of RMB11.2 million and gains on partial disposal of interest in a joint venture of RMB6.9 million.

Operating expenses

Selling and marketing expenses remained broadly stable at RMB22.1 million for the year ended 31 December 2022 (For the year ended 31 December 2021: RMB22.8 million).

Administrative expenses decreased by approximately 23% to RMB221.6 million for the year ended 31 December 2022 from RMB286.1 million for the year ended 31 December 2021. The decrease was primarily due to the decrease in administrative staff cost of RMB52.3 million during the year resulting from the promotion towards a flat organisation.

Net impairment losses on financial assets

Net impairment losses on financial assets increased to RMB483.1 million for the year ended 31 December 2022 from RMB19.7 million for the year ended 31 December 2021. The increase was primarily attributed to the significant increase in provision for impairment on trade and other receivables due from related parties, due to the adverse industry and economic conditions which slowed down the collection of trade receivables during 2022.

Finance cost

Finance cost increased by RMB0.3 million to RMB1.7 million for the year ended 31 December 2022 from RMB1.4 million for the year ended 31 December 2021, which was mainly attributable to the increase in interest expenses for lease liabilities as a result of our business expansion.

Share of results of joint ventures

Share of results of joint ventures increased by approximately 26% to RMB39.7 million for the year ended 31 December 2022 from RMB31.4 million for the year ended 31 December 2021. The increase was mainly attributable to the enhancement in our joint ventures' operations and the share of profits during the year.

Taxation

In line with the decrease of profit before income tax, income tax expense decreased by approximately 76% to RMB27.1 million for the year ended 31 December 2022 from RMB113.3 million for the year ended 31 December 2021. Effective tax rate for the year ended 31 December 2022 increased to approximately 23% (For the year ended 31 December 2021: approximately 20%).

Profit attributable to owners of the Company

Due to (i) a significant increase in the impairment provision for amount due from related parties made by adopting a conservative approach taking into account the downturn in the overall real estate market in the PRC; and (ii) a decrease in overall gross profit margin for the year ended 31 December 2022 as discussed above, the profit attributable to owners of the Company for the year ended 31 December 2022 decreased by approximately 83% to RMB75.4 million, as compared to RMB439.0 million for the year ended 31 December 2021. Our management will continue to focus on the improvement of our Shareholders' return as an on-going task.

Investment properties

Our investment properties represented certain units of office buildings located in the PRC, which are held to earn rentals. As at 31 December 2022, the Group's investment properties were amounted to RMB64.4 million (31 December 2021: nil).

Property, plant and equipment

Property, plant and equipment mainly consisted of office and operating equipment, leasehold improvement, vehicles and buildings. As at 31 December 2022, the Group's property, plant and equipment increased to RMB112.2 million from RMB23.0 million as at 31 December 2021, primarily attributed to the acquisition of self-use office premises in Beijing and Shenzhen.

Intangible assets

Our intangible assets comprised of computer software, property management contracts and customer relationships, trademark and goodwill. As at 31 December 2022, the Group's intangible assets increased by RMB567.3 million to RMB731.6 million from RMB164.3 million as at 31 December 2021. The increase was primarily attributable to (i) the goodwill of RMB369.7 million; and (ii) the property management contracts and customer relationships of RMB203.0 million, arising from the acquisitions of equity interests of subsidiaries. The goodwill arising from the above acquisitions represented the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired. The property management contracts and customer relationships acquired in the above acquisitions are recognised at fair value at the acquisition date.

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 increased to RMB249.5 million as at 31 December 2022 from RMB176.2 million as at 31 December 2021, mainly due to increase in carpark spaces and properties held for sale attributed to the acquisitions of subsidiaries during the year.

Trade and note receivables

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

As at 31 December 2022, our trade and note receivables amounted to RMB1,063.4 million, representing an increase of approximately 103% as compared to RMB523.7 million as at 31 December 2021. The increase was primarily attributable to the adverse industry and economic conditions, which slowed down the collection of trade receivables. The average trade and note receivables turnover days during the year was 104 days (2021: 59 days). The increase in trade and note receivables turnover days was attributed to the slowdown in receivables collection from third-party real estate developers under the sluggish market environment. We will continue to enhance various measures to ensure the timeliness and expedite the recovery of our trade and note receivables.

Prepayments and other receivables

Our prepayments and other receivables include prepayment to suppliers, other receivables and prepaid tax which in aggregate increased to RMB1,179.1 million as at 31 December 2022 from RMB219.6 million as at 31 December 2021. The increase was primarily due to the increase of refundable deposits paid to related parties for obtaining potential investment opportunities.

Trade and other payables

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

As at 31 December 2022, our trade and other payables amounted to RMB1,250.2 million, representing an increase of approximately 35% as compared to RMB926.9 million as at 31 December 2021, which was in line with the increase in cost of sales during the year. The average trade payables turnover days during the year was 85 days (2021: 62 days).

Contract liabilities

Contract liabilities represent our obligations to provide the contracted property management and commercial operational services, community value-added services and valued-added services to non-property owners. Our contract liabilities mainly arise from the advance payments made by customers while the underlying services such as property management services and carpark management services are yet to be provided. As at 31 December 2022, our contract liabilities amounted to RMB446.8 million, representing an increase of approximately 16% as compared to RMB384.2 million as at 31 December 2021, which was primarily resulting from expansion of business activities.

Capital expenditures

During the year ended 31 December 2022, we incurred capital expenditures of RMB177.2 million, representing an increase of approximately 1,089% as compared to RMB14.9 million for the year ended 31 December 2021, which mainly consisted of (i) purchase of property, plant and equipment such as buildings and office and operating equipment; (ii) purchase of intangible assets such as computer software; and (iii) purchase of investment properties.

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 31 December 2022, the Group had total cash resources (including cash and cash equivalents and restricted bank deposits) amounting RMB472.2 million (31 December 2021: RMB2,527.1 million), of which approximately 99.6% (31 December 2021: approximately 70.3%) 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 1.7 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.

As at 31 December 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 31 December 2022, gearing ratio was nil (31 December 2021: nil).

Major investments

As at 31 December 2022, the Group did not have any significant investments. Save as disclosed in the paragraphs headed "Use of net proceeds from listing" and "Change in use of proceeds from listing", we have no other plans for material investments or capital assets.

Capital commitments

As at 31 December 2022, the Group had no capital commitments (31 December 2021: RMB61.2 million).

Charge on assets

As at 31 December 2022, we did not have any charges on our assets.

Contingent liabilities

As at 31 December 2022, we did not have any significant contingent liabilities.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

- Acquisition of the entire equity interests in a property management company

  On 12 August 2022, Ocean Homeplus, as purchaser, and certain Sino-Ocean Connected Persons, as vendors (collectively, the "Vendors"), entered into a framework agreement in relation to the acquisition by Ocean Homeplus 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) ("Tianjin Xihe") at a total consideration of RMB500 million (the "Tianjin Xihe Acquisition"). Tianjin Xihe and its subsidiaries (the "Tianjin Xihe Group") are principally engaged in property management business in the PRC. Upon completion of the Tianjin Xihe Acquisition on 3 November 2022, Tianjin Xihe became a wholly-owned subsidiary of the Company, and the financial results of the Tianjin Xihe Group have been consolidated into the financial statements of the Group.

  Details of the Tianjin Xihe Acquisition have been disclosed in the joint announcement of Sino-Ocean Holding and the Company dated 12 August 2022 and the circular of the Company dated 5 October 2022.

- Disposal of interests in a property management company

  On 15 December 2022, (i) Sino-Ocean Holding, the Company, Beijing Yichi Property Services Company Limited* (北京億馳物業服務有限公司) (a wholly-owned subsidiary of the Company) (the "PM Seller") and Beijing Great Well Consultancy Company Limited* (北京浩倡諮詢有限公司) (the "PM Purchaser") as well as certain other parties entered into a master agreement in respect of, amongst others, the sale and purchase of 15% equity interest in Chengdu Qianhao Property Services Company Limited* (成都乾豪物業服務有限公司) (the "PM Co") (the "First PM Transaction"); and (ii) Sino-Ocean Holding, the Company, the PM Seller and the PM Purchaser entered into a master agreement in respect of the sale and purchase of 35% equity interest in the PM Co (together with the First PM Transaction, the "PM Transactions"). The total consideration for the PM Transactions is RMB85 million.

  The PM Co is principally engaged in the provision of property management services to a retail-led mixed-use development (primarily consisting of an open-plan, lane-driven mall and a boutique hotel with serviced apartments) known as Sino-Ocean Taikoo Li Chengdu located at Jinjiang District, Chengdu, the PRC jointly developed by Sino-Ocean Holding and Swire Properties Limited (太古地產有限公司). As at the date of the abovementioned master agreements, the PM Co was a 50%-owned joint venture of the Company. All of the PM Transactions had been completed as of 22 February 2023, following which the Group had ceased to have any interest in the PM Co.

  Details of the PM Transactions have been disclosed in the joint announcement of Sino-Ocean Holding and the Company dated 15 December 2022.

Other Information

- Risk of exposure to exchange rate fluctuations

  The principal activities of the Group are conducted in the PRC. Foreign currency transaction mainly included receipts of proceeds from listing on the Stock Exchange and payment of professional fees which are dominated in HKD and USD. As at 31 December 2022, major non-RMB assets are cash and cash equivalents of RMB2.1 million denominated in HKD and USD (31 December 2021: RMB751.5 million). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. During the year ended 31 December 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.

Employees and human resources

As at 31 December 2022, the Group had 10,179 employees (31 December 2021: 7,027 employees). The total number of employees serving the Group has increased as our business expansion during the year. We will continue to strive for improvement in both manpower effectiveness and governance capability of the Group. Our employee benefit expenses for 2022 was RMB943.0 million (2021: RMB802.1 million).

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

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 mechatronic company in the PRC

  On 24 February 2023, Ocean Homeplus, a wholly-owned subsidiary of the Company (the "Purchaser") and Beijing Qianyuan Property Co., Ltd.* (北京乾遠置業有限公司), a wholly-owned subsidiary of Sino-Ocean Holding (the "Vendor"), entered into an equity transfer agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire equity interests in Sino-Ocean Mechatronics Equipment Technology Development Co., Ltd.* (遠洋機電設備技術發展有限公司) (the "Target Company") at a consideration of RMB54,000,000 (the "Acquisition").

  The Target Company is a comprehensive mechatronic solution provider focusing on the real estate industry in the PRC. It is principally engaged in mechatronic businesses including mechanical and electrical construction, contracting, technology development and consultation. It is also actively participating in areas such as smart home, energy conservation and environmental protection as well as system integration.

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

Additional information on audit qualifications

The Company's independent auditor, Fan, Chan & Co. Limited (the "Auditor"), has expressed a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 (the "2022 Financial Statements"). Such qualified opinion is related to the limitation of scope on refundable deposit payments made by the Group. Details of such qualified opinion are disclosed in the paragraphs headed "Basis for Qualified Opinion" in the Independent Auditor's Report on the 2022 Financial Statements (the "Basis for Qualified Opinion Section").

- Management's view

  The management of the Company has given careful consideration to the qualified opinion and the basis thereof and has had continuous discussions with the Auditor during the preparation of the 2022 Financial Statements.

  The management understands that the audit qualifications, which relate to the limitation of scope, were caused by the lack of sufficient and appropriate audit evidence prior to the date of the Independent Auditor's Report. The management considers that best endeavors were made to provide sufficient and appropriate audit evidence during the course of the Auditor's audit. Except for the audit qualifications, the 2022 Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022.

Impairment provision has already been made and reflected in the 2022 Financial Statements for the refundable deposit receivables due from related party and third parties as at 31 December 2022 with an aggregate net carrying amounts of RMB835 million as mentioned in the Basis for Qualified Opinion Section.

The Company has also appointed a financial advisor to carry out an independent review on the significant matters as described in the Basis for Qualified Opinion Section in terms of the commercial rationale and implications under the Listing Rules.

The independent review report revealed that there is potential non-compliance with relevant requirements under the Listing Rules in respect of the Transactions (as defined in the Basis for Qualified Opinion Section) (the "Matter"). The Company has sought legal advice on the Matter and is working closely with relevant parties to, among others, investigate the Matter, identify any relevant potential accounting deficiencies and rectifications (if required) to ensure ongoing compliance with the Listing Rules.

The Company will make further announcements to keep its Shareholders and potential investors informed of any progress in respect of the Matter as and when appropriate in accordance with relevant requirements under the Listing Rules.

Regarding the audit qualifications, the management is committed to satisfy the Auditor's audit procedures to ensure sufficient and appropriate audit evidence be provided for the purposes of the audit of the financial statements of the Group for the year ending 31 December 2023, including the improvement of internal control of the Group.

- Audit Committee's view

  The Audit Committee had discussions with the Auditor regarding the financial position of the Group and the necessary sufficient and appropriate audit evidence required for the audit opinion. The audit qualifications were presented by the Auditor to the Board and discussed by the Board (including Audit Committee members). The Audit Committee accepted the audit qualifications by the Auditor and also concurred with the above management's views.

Use of net proceeds from listing

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

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

Change in use of proceeds from listing

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

As at 31 December 2022, our planned use and actual use of net proceeds from listing was as follows:

	Planned use of net proceeds as disclosed in the Prospectus (RMB million)	Unutilised (as at 31 December 2021) (RMB million)	Utilised immediately before the Reallocation (RMB million)	Planned use of net proceeds after Reallocation (RMB million)	Amount utilised after Reallocation up to 31 December 2022 (RMB million)	Utilised during 2022 (RMB million)	Unutilised (as at 31 December 2022) (RMB million)	Expected timetable for the usage of the unutilised proceeds as at 31 December 2022
Pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business	855.8	810.1	663.3	663.3	–	617.6	–	N/A
Develop smart community through upgrading of our systems for smart management	285.3	271.3	28.3	28.3	–	14.3	–	N/A
Enhance our level of digitisation and our internal information technology infrastructure	142.6	114.5	44.8	59.8	15.0	31.7	–	N/A
Working capital and general corporate purpose	142.6	107.4	142.6	142.6	–	107.4	–	N/A
Further expansion of and diversification into value-added services including (i) the acquisition of exclusive sales rights for parking spaces, and/or (ii) the investment in and/or acquisition of target(s) that provide complementary value-added services and other upstream and downstream business synergies	–	–	–	375.5	–	–	375.5 *(Note 3)*	On or before 30 June 2023
Further expansion of the business of commercial asset operation pursuant to the commercial property leasing and operation arrangement	–	–	–	79.4	79.4 *(Note 1)*	79.4	–	N/A
Acquisition of self-use office premises in Shenzhen and Beijing, PRC	–	–	–	77.4	77.4 *(Note 2)*	77.4	–	N/A
Total	1,426.3	1,303.3	879.0	1,426.3	171.8	927.8	375.5	

Notes:

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

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

3) Out of the unutilised net proceeds of RMB375.5 million as at 31 December 2022, RMB356.3 million were utilised as at the Latest Practicable Date, of which (a) RMB302.3 million were utilised for the acquisition of exclusive sales right for parking spaces as detailed in the announcement of the Company dated 14 October 2022 and the circular of the Company dated 13 January 2023; and (b) RMB54.0 million was the payment for the acquisition of the entire equity interest in Sino-Ocean Mechatronics Equipment Technology Development Co., Ltd.* (遠洋機電設備技術發展有限公司), a mechatronic company established in the PRC as detailed in the announcement of the Company dated 24 February 2023. As at the Latest Practicable Date, RMB19.2 million has not been utilised. The expected time to utilise such remaining net proceeds has been extended from 31 March 2023 (as disclosed in the Change in Use of Proceeds Announcement) to 30 June 2023 as no suitable opportunities for the use of the remaining net proceeds have been identified within the original timeframe. It is expected that such remaining net proceeds would be utilised for the purpose of further expansion of and diversification into value-added services pursuant to the reallocation arrangement as disclosed in the Change in Use of Proceeds Announcement.

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

The unutilised net proceeds as at 31 December 2022 were deposited with licensed banks or financial institutions in Hong Kong and mainland China. As at the Latest Practicable Date, the unutilised net proceeds amounted to RMB19.2 million. The expected timeline of full utilisation set out above is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.

DIRECTORS AND SENIOR MANAGEMENT

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

Executive Directors

Mr. YANG Deyong

Mr. Yang Deyong, aged 49, joined the Board in September 2020 and is the Joint Chairman, Executive Director, Chief Executive Officer, chairman of the Nomination Committee and member of the Remuneration Committee. He is also a director of certain subsidiaries of the Company. Mr. Yang joined Sino-Ocean Holding, the controlling Shareholder and the shares of which are listed on the Main Board of the Stock Exchange, in April 2007 and served successively as general manager of Sino-Ocean Property Development (Zhongshan) Co., Ltd., general manager of customer services division, assistant to the president and vice president of Sino-Ocean Group and other positions. Mr. Yang joined Ocean Homeplus in August 2015 and served successively as a director, chairman and general manager. Mr. Yang has extensive experience in corporate governance, business development and management. Mr. Yang graduated from Renmin University of China with a bachelor's degree in economics in 1995; graduated from Sun Yat-sen University with a master's degree in business administration in 2004; and graduated from China Europe International Business School with an EMBA degree in 2015.

Ms. ZHU Geying

Ms. Zhu Geying, aged 49, joined the Board in September 2020 and is an Executive Director and chief operating officer of the Company. She is also a director of certain subsidiaries of the Company. Ms. Zhu joined Sino-Ocean Group in July 2001 and served successively as the project finance manager and the chief financial officer of the enterprise division of Sino-Ocean Group; Ms. Zhu joined Ocean Homeplus in October 2016, and was appointed as a director since February 2018 and, the chief financial officer since April 2019 and was re-designated as the chief operating officer since August 2021. Ms. Zhu has over 26 years of financial management experience. Ms. Zhu graduated from the Capital University of Economics and Business with a bachelor's degree in economics in 1996. In July 2010, she was qualified as a senior accountant in the PRC.

Non-executive Directors

Mr. CUI Hongjie

Mr. Cui Hongjie, aged 50, joined the Board in September 2020 and is the Joint Chairman, Non-executive Director, member of the Audit Committee and Nomination Committee. Mr. Cui joined Sino-Ocean Group in August 1996 and is serving as an executive director and executive president of Sino-Ocean Holding, and general manager of the product construction centre of Sino-Ocean Group. Mr. Cui previously served as general manager of the costing and engineering department, general manager of technology and cost department, assistant to CEO and vice president of Sino-Ocean Group. Mr. Cui has extensive experience in operation and development of real estate, product creation and management. Mr. Cui graduated from Beijing University of Technology with a bachelor's degree in engineering in 1996 and a master's degree in engineering in 2001; and graduated from China Europe International Business School with a master's degree in business administration in 2022. Mr. Cui is a member of the Royal Institution of Chartered Surveyors, a national registered first-class constructor and a senior engineer.

Mr. ZHU Xiaoxing

Mr. Zhu Xiaoxing, aged 40, joined the Board in April 2020 and is serving as the vice chairman of the Company, Non-executive Director and member of the Audit Committee. He is also a director of certain subsidiaries of the Company. Mr. Zhu joined Sino-Ocean Group in 2008 and is serving as a key management of Sino-Ocean Group. Mr. Zhu had previously served as deputy general manager of the capital operation department, and as general manager of the office of CEO affairs of Sino-Ocean Group. Mr. Zhu has over 10 years of experience in property investment, financing and business management. Mr. Zhu graduated from Southwest University of Political Science & Law with a bachelor's degree in management in 2005; and graduated from Peking University with a master's degree in law in 2008. Mr. Zhu was admitted to practice law in the PRC in 2006 and was admitted in the PRC to practice as a certified public accountant in 2009.

Independent Non-executive Directors

Dr. GUO Jie

Dr. Guo Jie, aged 58, joined the Board in November 2020 and is serving as an Independent Non-executive Director, member of the Audit Committee, Remuneration Committee and Nomination Committee. Since May 1997, Dr. Guo has worked in the school of economics of Renmin University of China, and is currently a professor and a doctoral advisor in the school of economics, engaged in teaching and research. Dr. Guo graduated from Renmin University of China with a master's degree in economics in 1996 and a doctorate in economics in 2004.

Mr. HO Chi Kin Sammy

Mr. Ho Chi Kin Sammy, aged 52, joined the Board in August 2022 and is serving as an Independent Non-executive Director, chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee. Mr. Ho has been working in Atherton Asset Management Limited (an asset management company licensed by the Securities and Futures Commission in Hong Kong) since 2013, and is currently a director, a responsible officer and a portfolio manager. Mr. Ho has over 25 years of experience in investment, asset management and finance. Mr. Ho graduated from Hong Kong Baptist College (now known as Hong Kong Baptist University) with a bachelor's degree of business administration in finance in 1993; and graduated from Seattle Pacific University with a master's degree of business administration in management in 1996. Mr. Ho is a Chartered Financial Analyst (CFA).

Mr. LEUNG Wai Hung

Mr. Leung Wai Hung, aged 55, joined the Board in August 2022 and is serving as an Independent Non-executive Director, chairman of the Audit Committee and member of the Nomination Committee. Mr. Leung holds a bachelor's degree in business administration from The Chinese University of Hong Kong. He has been a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Mr. Leung has more than 20 years working experience in various listed companies in Hong Kong mainly engaged in property business including Cheung Kong (Holdings) Limited (now known as CK Hutchison Holdings Limited) (stock code: 001). Mr. Leung also has extensive financial experience in initial public offering ("IPO"), merger and acquisition as well as fund raising and is familiar with the business environment of both Hong Kong and the Mainland China. In addition, Mr. Leung has extensive experience in real estate investment trusts ("REIT"). He participated in the IPO setup of the first private sector REIT, Prosperity REIT (stock code: 808) in Hong Kong in 2005 and worked for the manager of Fortune REIT (stock code: 778) as a Finance Director from 2011 to 2012. He has also worked as the financial controller of Shougang Concord International Enterprises Company Limited (now known as Shoucheng Holdings Limited) (stock code: 697) from 2013 to 2018. Mr. Leung has also been an independent non-executive director of Fineland Living Services Group Limited (stock code: 9978) since October 2017 and China Fortune Holdings Limited (stock code: 110) since July 2021. Mr. Leung was an independent non-executive director of Beaver Group (Holding) Company Limited (now known as State Innovation Holdings Limited) (stock code: 8275), a listed company on GEM of the Stock Exchange, from September 2017 to February 2021. From April 2022 onwards, Mr. Leung has been the financial controller and company secretary of BeijingWest Industries International Limited (stock code: 2339).

Senior Management

Mr. GUO Zhibao

Mr. Guo Zhibao, aged 48, is the vice president of the Company. Mr. Guo joined the Company in 2015 and is also a director and/or general manager of certain subsidiaries of the Company. Mr. Guo used to be a director of the electromechanical committee at Beijing Vanke Property Services Co., Ltd. and an equipment manager of the technology department at Longfor Property Services Group Co., Ltd. He has extensive experience in electromechanical professional technology research and development and management, and engineering management. Mr. Guo completed a degree in civil engineering at China University of Geosciences, via distance learning in 2016; he graduated from Beijing Open University Shunyi Branch with a bachelor's degree in administrative management in 2020. Mr. Guo is a registered electrical engineer in the PRC.

Mr. DU Xin

Mr. Du Xin, aged 47, is the vice president of the Company. Mr. Du joined the Company in 2008 and is also a director and/or general manager of certain subsidiaries of the Company. Mr. Du used to be a business manager and a consulting manager of Shenzhen Gemdale Property Management Co., Ltd., and the business manager and a project manager of Agile Group Holdings Limited. He has extensive experience in business operations and project management. Mr. Du completed a degree in engineering management at Central South University, via distance learning in 2015. Mr. Du is a qualified quality control engineer in the PRC.

Mr. WANG Lifeng

Mr. Wang Lifeng, aged 46, is the vice president of the Company. Mr. Wang joined the Company in 2009 and is also a director and/or general manager of certain subsidiaries of the Company. He has served as the general manager of Shenyang Ocean Foundation Property Management Co., Ltd., and the general manager and regional supervisor of Dalian Ocean Foundation Property Management Co., Ltd. Mr. Wang used to be a project development supervisor of Shenyang Vanke Enterprises Company Limited, responsible for real estate development-related work. Mr. Wang has extensive experience in business operations and project management. Mr. Wang completed a degree in construction engineering at Tianjin University, via correspondence learning in 2004; he graduated from Dalian University of Technology with a master's degree in business administration in 2019. Mr. Wang is registered as a civil engineer and a certified property manager in the PRC.

Mr. LIU Xu

Mr. Liu Xu, aged 37, is the chief financial officer of the Company. He is also a director of a subsidiary of the Company. Mr. Liu joined Sino-Ocean Group in July 2009 and worked for financial and capital center of Sino-Ocean Group as an assistant to general manager of the department. He also served as chief financial officer of a joint venture company of Sino-Ocean Group, Shanghai Xinzheng Finance and Economy Information Consulting Co., Ltd.* (上海新證財經信息諮詢有限公司), assistant to general manager of asset management centre and deputy chief financial officer of customer service department of Sino-Ocean Group. Mr. Liu joined the Company in April 2020 as the deputy chief financial officer and was appointed as the chief financial officer in August 2021. Mr. Liu has extensive experience in financial management. Mr. Liu graduated from the accounting department of Renmin University of China with a bachelor's degree in management in 2007 and obtained a master's degree in management (professional in accounting) from Renmin University of China in 2009.

Company Secretary

Mr. SUM Pui Ying

Mr. Sum Pui Ying, aged 61, has been appointed as the Company Secretary since August 2022. Mr. Sum joined Sino-Ocean Holding in May 2007 and is the company secretary and chief financial officer of Sino-Ocean Holding. He is also a director of certain subsidiaries of Sino-Ocean Holding. Mr. Sum is also the chairman of the board, an executive director, the chairman of the investment committee and the chairman of the nomination committee of Gemini Investments (Holdings) Limited, an associated company of Sino-Ocean Holding and listed on the Stock Exchange. Mr. Sum has extensive experience in corporate management of listed companies, investment and financing and financial management. Mr. Sum graduated from The Hong Kong Polytechnic University and obtained a professional diploma in Accounting in 1988, graduated from University of Wales and obtained a master's degree in Business Administration in 1991, and graduated from The University of Hong Kong and obtained a diploma in Legal Studies in 1996. Mr. Sum is currently a fellow member of the HKICPA and a fellow member of the Institute of Chartered Accountants in England & Wales.

INVESTOR RELATIONS REPORT

PROMOTING VALUES

The Group management attaches great importance to effective communication with Shareholders, investors, analysts, financial media and the public and is always prepared to listen to their valuable opinions and suggestions on the Company. The Company believes that an efficient and transparent information disclosure mechanism enables investors to understand the Group's business, updates and strategies in a timely and accurate manner, so that they could reasonably evaluate the Company's value, thereby enhancing investors' confidence and creating maximum value for our Shareholders.

During 2022, we actively communicated with analysts and investors through results announcement press conferences and roadshows. Efficient communication between the management and investors were arranged with positive feedback from all parties. On one hand, we proactively participated in investor conferences organised by various brokerage firms and strengthened our daily communication with investors. On the other hand, we actively explored communication channels with investors and met with investors with different investment approaches. The Company's investor relations and communication activities during the year are summarised as follows:

March	Sinolink Securities 2022 Spring Strategic Meeting CICC — Sino-Ocean Service 2021 Annual Results Roadshow Citi — Sino-Ocean Service 2021 Annual Results Roadshow Haitong Securities — Sino-Ocean Service 2021 Annual Results Roadshow Sinolink Securities — Sino-Ocean Service 2021 Annual Results Roadshow Guosen Securities — Sino-Ocean Service 2021 Annual Results Roadshow Industrial Securities — Sino-Ocean Service 2021 Annual Results Roadshow Guoyuan International — Sino-Ocean Service 2021 Annual Results Roadshow Zheshang Securities 2022 Spring Strategic Meeting Haitong Securities 2022 Spring Strategic Meeting
April	TF Securities 2022 Spring Strategic Meeting
May	In progress — Q2 Roadshow Conference
June	Everbright Securities 2022 Interim Strategic Meeting Sinolink Securities 2022 Interim Strategic Meeting China Securities 2022 Interim Strategic Meeting CITIC Securities 2022 Interim Strategic Meeting Haitong Securities 2022 Interim Strategic Meeting Galaxy Securities 2022 Interim Strategic Meeting Guosen Securities 2022 Interim Strategic Meeting
July	TF Securities 2022 Interim Strategic Meeting Industrial Securities 2022 Interim Strategic Meeting
August	Sino-Ocean Service 2022 Interim Results Roadshow
November	In progress — Q3 Roadshow Conference

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

SHARE PRICE PERFORMANCE

For the trading days during the period from 1 January 2022 to 31 December 2022, the Company recorded:

	Highest	Lowest
Price per Share (HKD)	4.71	1.51

As at 31 December 2022, the total number of issued Shares was 1,184,000,000 Shares, and the closing price was HKD2.25. Based on the closing price on 30 December 2022, the market capitalisation of the Company was approximately HKD2,664.0 million.

SUSTAINABILITY REPORT

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

OPERATIONAL COMPLIANCE: SOLIDIFYING THE CORNERSTONE OF DEVELOPMENT

The Group has always conducted itself in persistent adherence to corporate governance in accordance with law and operational compliance. We have established a systematic corporate governance regime, as well as a management regime comprising the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board, comprising two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors, is responsible for formulating strategic guidelines for the Company, supervising its business performance, and ensuring the effectiveness of risk management and the corresponding internal control systems, in order to generate long-term benefits for the Company and its stakeholders. Relevant information is disclosed in a true, accurate and timely manner through the website of the Stock Exchange and the Company's website in strict accordance with the requirements of relevant laws and regulations and regulatory documents in genuine fulfillment of our obligations in information disclosure as a listed company, in order to ensure the openness, fairness and impartiality of corporate information disclosure and protect the legitimate rights and interests of the Company, its investors and minority shareholders.

In strict compliance with laws and regulations, the Group has been engaged in ongoing efforts to foster and enhance probity and facilitated whistleblowing channels by optimizing the mechanism for the protection of whistleblowers in continuous advancement of training, propagation and education in connection with probity, while strengthening internal management to regulate the Company's operations by high probity standards. During the year, improvements have been made to risk management and internal control systems including "Measures for the Handling of Staff Violation of Discipline", "Anti-corruption and Anti-bribery Policy" and "Whistleblowing Policy" in genuine protection of the Company's stable operation and healthy development.

SERVICE-CENTRIC: MEETING CUSTOMERS' NEEDS

In persistent adherence to the service philosophy of "Being understanding and innovative", the Group seeks to consistently enhance customer satisfaction and optimize quality management, as it endeavors to provide property management services that make available conveniences and comfort in daily life and foster a more valuable living environment and experience for property owners and residents. We are actively engaged in customer relations management through initiatives such as regular satisfaction polls, "400 Call Centre" and project service quality supervision, so as to listen to the voice of the customers and swiftly respond, handle and provide feedback.

In line with the initial commitment to and mission of "serving customers with an artisan's spirit", we have developed an intelligent service platform, on which we focus on customer satisfaction and deliver better living driven by digitalization and intelligence, responding to various demands in an efficient manner and offering dedicated protection of customers' homes through high-calibre butlers to foster a community of harmony and happiness, where customers could experience services that are convenient, reliable, satisfactory and full of pleasant surprises.

ENVIRONMENTAL PROTECTION: PERSISTING IN GREEN DEVELOPMENT

The Group persists in the implementation of green operation as it consistently enhances its ability to operate on a low-carbon basis. Through systematic and categorised management of different effluents, we seek reasonable and efficient utilization of various types of energy, emphasizing emission reduction as well as energy conservation such that we could live in harmony with the environment and achieve stable operation. In accordance with pertinent laws and regulations, wastes generated in daily operation are sorted and properly handled in accordance with relevant criteria in enhancement of our green service standards. Based on our practical experience, we have conducted detailed statistics on and exercised scientific control over exhaust gas, sewage, noise and other types of emissions generated from project operation in a bid to protect the surrounding public environment. During the year, we obtained a 10-star accreditation rating for garbage sorting service, as we exercised stringent control over each stage from the conversion of front-end bins, promotion of household waste sorting, process control to waste sorting and handling in the latter stages. To achieve better conservation in power consumption, priority is given to eco-friendly and energy-saving models in the choice of electrical appliances and equipment as part of our effort to optimize our power consumption mix. We have also been converted to the use of smart lightings to prevent lights from being switched on for long hours. The use of air-conditioners and other electric appliances requiring substantial power output is subject to reasonable planning to avoid extreme temperature adjustments, while electric switches are turned on or off in a timely manner to avoid loss of electric power. To increase the efficiency of fuel consumption, vehicles are put under regular maintenance and targets for gasoline consumption are being set, while shared rides on corporate vehicles are also advocated to encourage green traveling on the part of our staff. During the year, we passed the ISO5001 Energy Management accreditation.

CARING FOR PEOPLE’S LIVELIHOOD: GENERATING BENEFITS FOR ALL

In firm adherence to a people-centric principle, the Group endeavors to foster a corporate culture underpinned by diversity and inclusivity and forge a fair and equitable staff appointment mechanism. Improvements are made to our staff retention, promotion and development regime on a consistent basis and a remuneration and staff care policy that covers the entire life cycle of staff career has been designed to safeguard employees’ career development and work experience on all fronts and enhance their sense of happiness and belonging. During the year, our business units conducted a variety of programmes, such as training camps, special-topic training, themed sharing and study of exemplary cases, for various business lines to enhance staff competence. We have also organised staff to participate in “Business Enhancement Through Training” skills training sessions hosted by the government and encouraged them to obtain relevant professional certificates.

The Group undertakes its social responsibility with vigorous efforts and seeks to share the benefits of its development with the public by leveraging its strengths in human resources, technology and management. Through innovative approaches, we are involved in initiatives relating to people’s livelihood, such as community service support, educational aid and poverty relief and care for the underprivileged, in fulfilment of our commitment to social sustainability. To foster a social and cultural ambience of harmony, we have formulated the “Operational Guide for Customers’ Social and Cultural Activities” and organised a variety of communal and welfare activities to enhance engagement and understanding among social groups and support the demand of different age groups for diversity in development in a dynamic integration of community welfare and culture.

The Group believes that sustainability is paramount to the Company’s development, as the sustainability concept is actively implemented in all dimensions of its business. In ongoing adherence to its principle of “Being understanding and innovative”, we are consistently enhancing our general strengths in an effort to provide high-quality and heartwarming services to customers and continuously forge new benchmarks for the servicing sector with excellent servicing abilities. The Company’s 2022 ESG Report will be separately published in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. The Company will publish the 2022 ESG Report on the Stock Exchange’s website (www.hkexnews.hk) and the Company’s website (www.sinooceanservice.com) at the same time as the publication of this annual report.

REPORT OF THE DIRECTORS

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

The analysis of the Group's operating segments and revenue and cost of sales in its major operation activities is set out in the Management Discussion and Analysis of this annual report and note 5 and note 6 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income on page 105 of this annual report.

During the year under review, a final dividend of RMB0.093 per Share (equivalent to HKD0.114 per Share, rounded to the nearest three decimal places) in respect of the financial year ended 31 December 2021 and an interim dividend of RMB0.136 per Share (equivalent to HKD0.156 per Share, rounded to the nearest three decimal places) in respect of the six months ended 30 June 2022 were paid by the Company.

The Board proposed to recommend at the forthcoming AGM to be held on Tuesday, 30 May 2023 for the payment of a final dividend of RMB0.123 per Share (equivalent to HKD0.141 per Share, rounded to the nearest three decimal places) for the year ended 31 December 2022. The final dividend will be paid in cash in HKD. The relevant exchange rate is the average central parity rate of RMB to HKD as announced by the People's Bank of China for the period from Friday, 24 March 2023 to Thursday, 30 March 2023 (RMB1 = HKD1.1426). The final dividend is subject to the approval of the Shareholders at the AGM. The final dividend will be paid to the Shareholders whose names are standing in the register of members of the Company at the close of business on Friday, 2 June 2023. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 2 June 2023.

It is expected that the cheques for dividend payment in relation to the final dividend will be despatched at the risk of those who are entitled thereto to their respective registered addresses on or around Wednesday, 14 June 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 23 May 2023.

DIVIDEND POLICY

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

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

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

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and note 26, note 27 and note 35(a) to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2022 amounted to RMB1,266.0 million.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 31 December 2022. Details of the Company's share capital are set out in note 25 to the consolidated financial statements of this annual report.

FIXED ASSETS

Movements in the Group's fixed assets are set out in note 17 to the consolidated financial statements of this annual report.

BORROWINGS

As at 31 December 2022, the Group had no borrowings.

DONATIONS

For the year ended 31 December 2022, the Group's donations for charity and other purposes were approximately RMB9,000.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the Chairman's Statement and the sections headed "Business Review" and "Future Development Plans and Outlook" under the Management Discussion and Analysis of this annual report respectively. The description of principal risks and uncertainties that the Group may be facing are set out in note 3 to the consolidated financial statements and the section headed "Other Information" under the Management Discussion and Analysis of this annual report. Particulars of the important event affecting the Company that has occurred since the end of the year are set out in the section headed "Event after the reporting period" under the Management Discussion and Analysis of this annual report. A discussion and analysis of the Group's performance and financial position during the year including analysis using financial key performance indicators is set out in the Group's Financial and Operational Summary on pages 10 to 11 of this annual report and in the section headed "Financial Review" under the Management Discussion and Analysis of this annual report.

ENVIRONMENTAL POLICY AND OTHER COMPLIANCE

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

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

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

For more details, please refer to the paragraph headed "Environmental Protection: Persisting in Green Development" in the Sustainability Report of this annual report and the 2022 ESG Report of the Company which will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinooceanservice.com) at the same time as the publication of this annual report.

STAKEHOLDER RELATIONS

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

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

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

The awards and recognitions we received in 2022 include "2022 TOP100 Property Management Companies in China" (Ranked 12th), "2022 China Leading Property Management Companies — High-end Properties", "2022 China Commercial Property Service Capability Exceptional Companies", "2022 China Office Property Service Capability Exceptional Companies", "2022 Leading Growth Companies in TOP100 Property Management Companies in China" and "2022 Leading Brand in Service Quality in China Property Management" issued by China Index Academy; and "2022 Model Property Service Companies of China (Customer Satisfaction)", "2022 Leading Property Service Companies of China in Brand Value", "2022 TOP 20 Property Management Companies of China in Comprehensive Strengths", "2022 Outstanding Growth Companies in the Property Service Sector of China" and "2022 TOP 10 Listed Property Management Companies of China in Long-term Investment Value" issued by EH Consulting.

At Sino-Ocean Service, we treasure our property owners and customers as one of our most important groups of stakeholders and attend to their needs by promoting healthy lifestyles, quality life, amicable neighbor relations and civilized community atmosphere. For more details, please refer to the Sustainability Report of this annual report.

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

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

Please refer to the 2022 ESG Report of the Company for further details.

INVESTOR RELATIONS

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

In 2022, we actively communicated with analysts and investors through results announcement press conferences and roadshows, and arranged efficient communication between the management and investors, and received positive feedback from all parties. On one hand, we proactively participated in investor conferences organised by various brokerage firms and strengthened our daily communication with investors. On the other hand, we actively explored communication channels with investors and met with many funds and securities companies. In addition, we also organised and met relevant persons to conduct project site visits and business exchanges to enable investors to have a better understanding of the latest development of the Company's various business segments.

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

COMPLIANCE WITH LAWS AND REGULATIONS

With the rapid development of the property management industry in China, the regulatory framework of the property management industry is becoming increasingly well developed and mature. Property service enterprises shall comply with the applicable laws and regulations of the PRC in all aspects of their business activities, including the establishment of property management enterprises, the selection of property service enterprises, property management operations (including security, cleaning, greening, gardening and repair and maintenance services, etc.), labor, environmental protection and foreign exchange control, and shall be bound by laws and regulations at different levels. The Company recognises the importance of conducting business activities in accordance with applicable laws and regulations, and non-compliance in any of the above aspects may result in serious risks and consequences. The Company has reasonably allocated its financial and human resources (especially the construction of the compliance and risk control team) to ensure continuous compliance with various laws, regulations and policy requirements, and has maintained good working relationships with government regulatory agencies through effective communication. During the year under review, the Company has complied with key PRC laws and regulations as follows: Foreign Investment Law of the People's Republic of China, Company Law of the People's Republic of China, The Civil Code of the People's Republic of China, Construction Law of the People's Republic of China, Fire Control Law of the People's Republic of China, Special Equipment Safety Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China, Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, Regulation on Realty Management, Regulation on the Administration of Security and Guarding Services, Property Service Charge Management Measures, Regulation of the People's Republic of China on Foreign Exchange Administration, Interim Measures for Bid-Inviting and Bidding Management of Preliminary Realty Management, Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Disputes over Realty Services, and other relevant laws, regulations, judicial interpretations and regulatory legal documents.

The Company is also committed to complying with the following key laws and regulations in Hong Kong and the Cayman Islands, including but not limited to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules, the SFO and the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands and has been working with external professionals to develop internal guidelines and educate its employees to ensure that the Company and its employees will from time to time adopt business practices that comply with relevant laws.

CORPORATE GOVERNANCE

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

REMUNERATION POLICY AND RETIREMENT BENEFITS OF THE GROUP

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

Details of the Group's retirement benefit plans are set out in note 10 to the consolidated financial statements of this annual report.

BASIS OF DETERMINING REMUNERATION TO DIRECTORS

The Group's remuneration policy is also applicable to the Directors. The Board determines the remuneration and compensation packages of the Directors and senior management of the Company by receiving recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment, responsibilities and performance of the Directors and senior management of the Company and performance of the Group.

FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 182 of this annual report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

DIRECTORS

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

Name	Position
Mr. YANG Deyong	Joint Chairman, Chief Executive Officer and Executive Director
Ms. ZHU Geying	Executive Director and Chief Operating Officer
Mr. CUI Hongjie	Joint Chairman and Non-executive Director
Mr. ZHU Xiaoxing	Vice Chairman and Non-executive Director
Dr. GUO Jie	Independent Non-executive Director
Mr. HO Chi Kin Sammy	Independent Non-executive Director (appointed on 3 August 2022)
Mr. LEUNG Wai Hung	Independent Non-executive Director (appointed on 4 August 2022)
Dr. XUE Jun	Independent Non-executive Director (resigned on 3 August 2022)
Mr. ZHU Lin	Independent Non-executive Director (resigned on 4 August 2022)

Brief biographical details of the Directors and senior management of the Company are set out on pages 44 to 47 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

PERMITTED INDEMNITY

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2022, the Company did not enter into any equity-linked agreement.

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

• Long position in the shares and underlying shares of the associated corporation of the Company

Name of Directors	Name of associated corporation	Capacity/nature of interests	No. of ordinary shares of associated corporation held	Approximate percentage of total number of issued ordinary shares of associated corporation
				(note)
Mr. YANG Deyong	Sino-Ocean Holding	Beneficial owner	118,777	0.002%
Ms. ZHU Geying	Sino-Ocean Holding	Beneficial owner	38,531	0.001%
Mr. CUI Hongjie	Sino-Ocean Holding	Beneficial owner	369,571	0.005%
Mr. ZHU Xiaoxing	Sino-Ocean Holding	Beneficial owner	249	0.000%

Note:

Calculated based on Sino-Ocean Holding's total number of issued ordinary shares of 7,616,095,657 as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company had any interest or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors were aware, as at 31 December 2022, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Notes:

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

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

(iii) Calculated based on the Company's total number of issued Shares of 1,184,000,000 as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

DEED OF NON-COMPETITION

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

For details regarding the Deed of Non-competition, please refer to the paragraphs headed "Non-competition Undertaking" in the section of "Relationship with Controlling Shareholders" in the Prospectus.

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

COMPETING INTERESTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were approximately 14.79% of the Group's total revenue and approximately 10.05% of the Group's total purchase respectively.

For the year ended 31 December 2022, the aggregate sales attributable to the Group's largest customer was approximately 10.80% of the Group's total revenue.

For the year ended 31 December 2022, the aggregate purchases attributable to the Group's largest supplier was approximately 4.65% of the Group's total purchase.

Apart from Sino-Ocean Holding and its subsidiaries, during the year ended 31 December 2022, as far as the Directors are aware, neither the Directors, their close associates, nor the Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in the five largest customers and suppliers of the Group.

CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

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

• Connected transactions

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

1. Acquisition of the entire equity interests in a property management company

On 12 August 2022, (i) Ocean Homeplus, a wholly-owned subsidiary of the Company, as 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 Ocean Homeplus 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) ("Tianjin Xihe") from the Vendors at a total consideration of RMB500 million (the "Acquisition"). Tianjin Xihe and its subsidiaries (the "Tianjin Xihe Group") are principally engaged in property management business in the PRC. Upon completion of the Acquisition on 3 November 2022, Tianjin Xihe became a wholly-owned subsidiary of the Company, and the financial results of the Tianjin Xihe Group have been consolidated into the financial statements of the Group.

Details of the Acquisition have been disclosed in the joint announcement of the Company and Sino-Ocean Holding dated 12 August 2022 and the circular of the Company dated 5 October 2022.

2. Acquisitions of properties

On 11 November 2022, (a) Ocean Homeplus, as purchaser (the "Beijing Properties Purchaser"), entered into three sale and purchase agreements with Beijing Yuanchuang Real Estate Company Limited* (北京遠創置業有限公司), a company which is indirectly owned as to 51% by Sino-Ocean Holding, as seller (the "Beijing Properties Seller"), pursuant to which the Beijing Properties Purchaser has agreed to acquire and the Beijing Properties Seller has agreed to sell three commercial properties (collectively, the "Beijing Properties"): (i) 301, 3rd floor of Block 1 of Ocean Metropolis (遠洋都會中心) (also known as 遠洋新天地) located at No. 17 Courtyard, Jinsha West Street, Mentougou District, Beijing, the PRC (中國北京市門頭溝區金沙西街17 號院) with a GFA of 1,105.38 sq.m. at a consideration of RMB16,249,086, (ii) 401, 4th floor of Block 1 of Ocean Metropolis (遠洋都會中心) with a GFA of 1,105.38 sq.m. at a consideration of RMB16,249,086 and (iii) 501, 5th floor of Block 1 of Ocean Metropolis (遠洋都會中心) with a GFA of 1,105.38 sq.m. at a consideration of RMB16,470,162 respectively, with the aggregate GFA of 3,316.14 sq.m. at the aggregate consideration of RMB48,968,334; and (b) Zhongshan Sino-Ocean Property Service Co., Ltd.* (中山遠洋物業服務有限公司), a wholly-owned subsidiary of the Company, as purchaser (the "Shenzhen Property Purchaser"), entered into the a sale and purchase agreement with T & J Real Estate Development (Shenzhen) Company Limited* (天基房地產開發 (深圳) 有限公司), a wholly-owned subsidiary of Sino-Ocean Holding, as seller (the "Shenzhen Property Seller"), pursuant to which the Shenzhen Property Purchaser has agreed to acquire and the Shenzhen Property Seller has agreed to sell a commercial property consists of collectively, 14 rooms on the 6th floor of Block 13 of Ocean Plaza of Ocean Express (遠洋新幹線遠洋廣場) located on Nanlian Lianhu Liuwu Road, Longgang Street, Longgang District, Shenzhen, the PRC (中國深圳市龍崗區龍崗街道南聯連湖劉屋路) (the "Shenzhen Property", together with the Beijing Properties, the "Properties") with a GFA of 1,555.84 sq.m. at the consideration of RMB28,392,950. The Properties will be occupied by the Group as its self-use office premises. The Beijing Properties and the Shenzhen Property have been delivered as at 31 December 2022.

Details of the acquisitions of the Properties have been disclosed in the announcement of the Company dated 11 November 2022.

3. Commercial property leasing and operation

On 11 November 2022, Ocean Homeplus as lessee (the "Lessee"), entered into an agreement (the "Commercial Property Leasing and Operation Agreement") with 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 Sino-Ocean Holding Group (China) Limited (遠洋控股集團 (中國) 有限公司) (a wholly-owned subsidiary of Sino-Ocean Holding and the owner of the Property (as defined below)), as lessor (the "Lessor"), in relation to the leasing of the commercial property comprising certain units situated at Tower A, Ocean International Center, 56 Dongsihuanzhonglu, Chaoyang District, Beijing, the PRC (中國北京市朝陽區東四環中路56號遠洋國際中心A座) with a total GFA of 28,560.10 sq.m. (the "Property") for operation and management on an as-is basis for a lease term from 12 November 2022 to 31 December 2023. 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. 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.

Details of the connected transaction contemplated under the Commercial Property Leasing and Operation Agreement have been disclosed in the announcement of the Company dated 11 November 2022.

• Continuing connected transactions

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

• Fully exempt continuing connected transactions

1. Trademark licensing agreement

On 26 August 2020, the Company entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with Sino-Ocean Holding, Sino-Ocean Holding Group (China) Limited and Sino-Ocean Land (Hong Kong) Limited (both are indirect wholly-owned subsidiaries of Sino-Ocean Holding) (collectively, the "Licensors") pursuant to which the Licensors agreed to grant a non-exclusive and non-transferrable license to the Group to use certain trademarks registered in their names for nominal consideration of HKD1. For details of the trademarks registered in the names of the Group and the trademarks licensed to the Group which are material to the Group's businesses, please see the sections headed "Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights of our Group" and "Statutory and General Information — B. Further Information about our Business — 3. Intellectual Property Rights Licensed to our Group" in the Prospectus. The Trademark Licensing Agreement shall be of a perpetual term commencing from 26 August 2020. The Trademark Licensing Agreement (i) shall automatically terminate in the event of and upon the Company ceasing to be accounted for as a subsidiary of Sino-Ocean Holding and the financial results ceasing to be consolidated in the consolidated accounts of Sino-Ocean Holding; and (ii) may be terminated by written consent of the parties thereto. In the event of and upon any Licensor ceasing to be the registered owner of any of the relevant trademarks, such trademark(s) shall be deemed to be excluded from the Trademark Licensing Agreement. The Directors and the joint sponsors in connection with the global offering of the Company are of the view that entering into of the Trademark Licensing Agreement with a duration of over three years is in line with the normal business practice for agreements of this type as comparable contractual arrangements have similar long-term arrangements, and the Directors believe that such long duration will promote the stability of operations of the Group and is beneficial to the Shareholders as a whole.

Details of the continuing connected transactions contemplated under the Trademark Licensing Agreement have been disclosed in the section headed "Connected Transactions — Fully Exempt Continuing Connected Transactions — 1. Trademark Licensing Agreement" in the Prospectus.

2. Master administrative services agreement

On 27 November 2020, the Company entered into an agreement (the "2020–2022 Master Administrative Services Agreement") with Sino-Ocean Holding (for itself and on behalf of its subsidiaries and associates (excluding the Group)) pursuant to which the Sino-Ocean Connected Persons agreed to provide administrative services including but not limited to secretarial (including the company secretarial services), legal and staff training services to the Group on a cost basis. The 2020–2022 Master Administrative Services Agreement took effect upon the Listing Date and had expired on 31 December 2022.

Details of the continuing connected transactions contemplated under the 2020–2022 Master Administrative Services Agreement have been disclosed in the section headed "Connected Transactions — Fully Exempt Continuing Connected Transactions — 2. Master Administrative Services Agreement" in the Prospectus.

As the 2020–2022 Master Administrative Services Agreement was due to expire on 31 December 2022, on 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a new framework agreement (the "2023–2025 Master Administrative Services Agreement") to renew the continuing connected transactions contemplated under the 2020–2022 Master Administrative Services Agreement with a fixed term of three years commencing from 1 January 2023 and ending on 31 December 2025. The 2023–2025 Master Administrative Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

• Partially exempt continuing connected transactions

3. Master operational support services agreement

On 27 November 2020, the Company entered into an agreement (the "2020–2022 Master Operational Support Services Agreement") with Sino-Ocean Holding (for itself and on behalf of its subsidiaries and associates (excluding the Group)) to govern the purchase of operational support services (such as catering services, engineering services and other support services to support the Group's business operations) by the Group from the Sino-Ocean Connected Persons. The 2020–2022 Master Operational Support Services Agreement took effect upon the Listing Date and had expired on 31 December 2022.

The fees of the operational support services payable by the Group to the Sino-Ocean Connected Persons under the 2020–2022 Master Operational Support Services Agreement were determined on arm's length basis with reference to (i) the cost paid by the Sino-Ocean Connected Persons to their independent suppliers and/or their labor costs based on relevant man hours; or (ii) where available, the prevailing market prices charged by the Sino-Ocean Connected Persons to other customers for the same or similar services. The Group will, where applicable, request the relevant Sino-Ocean Connected Person to provide the Group with the terms of contemporaneous transactions between the relevant Sino-Ocean Connected Person and its independent customers for the same or similar services, in order to ensure that the fees charged by the relevant Sino-Ocean Connected Person to the Group are fair and reasonable to the Group.

On 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a supplemental agreement (the "2020–2022 Supplemental Master Operational Support Services Agreement") pursuant to which the parties have agreed to revise the annual cap for the year ended 31 December 2022 in relation to the transactions as contemplated under the 2020–2022 Master Operational Support Services Agreement.

The annual caps in respect of the transactions contemplated under the 2020–2022 Master Operational Support Services Agreement (as amended and supplemented by the 2020–2022 Supplemental Master Operational Support Services Agreement) are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Purchase amount	8,689	10,127	78,000

For the year ended 31 December 2022, the transaction amount of the above transaction was RMB61,197,711 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2020–2022 Master Operational Support Services Agreement (as amended and supplemented by the 2020–2022 Supplemental Master Operational Support Services Agreement) have been disclosed in the section headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 3. Master Operational Support Services Agreement" in the Prospectus and in the announcement of the Company dated 11 November 2022.

As the 2020–2022 Master Operational Support Services Agreement was due to expire on 31 December 2022, on 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a new framework agreement (the "2023–2025 Master Operational Support Services Agreement"), pursuant to which the Group shall purchase from the Sino-Ocean Connected Persons (i) certain operational support services such as engineering and construction services, decoration services, staff secondment and other supporting services and (ii) certain technology support services, including supply of information technology systems and construction and/or maintenance services of systems, to support its business operations. The 2023–2025 Master Operational Support Services Agreement shall have a fixed term of three years commencing from 1 January 2023 and ending on 31 December 2025. The 2023–2025 Master Operational Support Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice. The proposed annual caps of the transactions contemplated under the 2023–2025 Master Operational Support Services Agreement for each of the three years ending 31 December 2025 are RMB80.0 million, RMB81.0 million and RMB82.0 million, respectively. Details of the continuing connected transactions contemplated under the 2023–2025 Master Operational Support Services Agreement have been disclosed in the announcement of the Company dated 11 November 2022.

4. Master properties leasing agreement

On 27 November 2020, the Company entered into an agreement (the "2020–2022 Master Properties Leasing Agreement") with Sino-Ocean Holding (for itself and on behalf of its subsidiaries and associates (excluding the Group)) to govern the leasing and licensing of properties by the Sino-Ocean Connected Persons to the Group which is exempt from recognition as right-of-use assets under HKFRS 16. The 2020–2022 Master Properties Leasing Agreement took effect upon the Listing Date and had expired on 31 December 2022.

The rent payable by the Group to the Sino-Ocean Connected Persons under the 2020–2022 Master Properties Leasing Agreement were determined on arm's length basis with reference to (i) in respect of properties for the Group's self-use/operation, the prevailing market rent of similar properties in the vicinity; and (ii) in respect of properties for sub-leasing to the independent customers, the prevailing market rent of similar properties in similar locations with a discount thereon to be agreed on arm's length basis by taking into account the expected costs (including, among others, labor costs, administrative costs and maintenance costs) of the Group in relation to the sub-leasing of the relevant properties to the independent customers.

The annual caps in respect of the transactions contemplated under the 2020–2022 Master Properties Leasing Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Rent	18,827	28,240	42,360

For the year ended 31 December 2022, the transaction amount of the above transaction was RMB13,408,774 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2020–2022 Master Properties Leasing Agreement have been disclosed in the section headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 4. Master Properties Leasing Agreement" in the Prospectus.

As the 2020–2022 Master Properties Leasing Agreement was due to expire on 31 December 2022, on 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a new framework agreement (the "2023–2025 Master Properties Leasing Agreement"), pursuant to which the Group shall rent from the Sino-Ocean Connected Persons (i) properties for self-use/operation (e.g. as office) and (ii) properties/car parking spaces for sub-leasing to its independent customers, such transactions are exempt from recognition as right-of-use assets under HKFRS 16. The 2023–2025 Master Properties Leasing Agreement shall have a fixed term of three years commencing from 1 January 2023 and ending on 31 December 2025. The 2023–2025 Master Properties Leasing Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice. The proposed annual caps of the transactions contemplated under the 2023–2025 Master Properties Leasing Agreement for each of the three years ending 31 December 2025 are RMB42.0 million, RMB42.0 million and RMB42.0 million, respectively. Details of the continuing connected transactions contemplated under the 2023–2025 Master Properties Leasing Agreement have been disclosed in the announcement of the Company dated 11 November 2022.

• Non-exempt continuing connected transactions

5. Master property management services agreement

On 27 November 2020, the Company entered into an agreement (the "2020–2022 Master Property Management Services Agreement") with Sino-Ocean Holding (for itself and on behalf of its subsidiaries and associates (excluding the Group)) to govern the provision of property management services (such as security, cleaning, greening, gardening and repair and maintenance services), by the Group to the Sino-Ocean Connected Persons in respect of (i) property units developed by the Sino-Ocean Connected Persons which have been completed and are either unsold or sold but not yet delivered to the buyers of such property units; and (ii) commercial properties, office buildings and carpark spaces owned, used or operated by the Sino-Ocean Connected Persons. The 2020–2022 Master Property Management Services Agreement took effect upon the Listing Date and had expired on 31 December 2022.

The fees payable by the Sino-Ocean Connected Persons to the Group under the 2020–2022 Master Property Management Services Agreement were determined on arm's length basis with reference to (i) the nature, size and location of the relevant properties; (ii) the scope of the property management services; (iii) our expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the property management services; and (iv) the fees charged by other property management service providers for similar services in respect of similar types of properties in the market. The fees charged by the Group to the Sino-Ocean Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favorable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of property management services.

On 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a supplemental agreement (the "2020–2022 Supplemental Master Property Management Services Agreement") pursuant to which the parties have agreed, subject to the obtaining of the approval by the independent Shareholders at the EGM, to revise the annual cap for the year ended 31 December 2022 in relation to the transactions as contemplated under the 2020–2022 Master Property Management Services Agreement. Taking into account (i) the additional time which was required to finalise the relevant circular, (ii) the expected time for the relevant EGM to take place and (iii) the actual transaction amount pursuant to the 2020–2022 Master Property Management Services Agreement for the year ended 31 December 2022 had not exceeded the original annual cap for the year ended 31 December 2022, the Board decided that it was no longer necessary to revise the annual cap for the year ended 31 December 2022 under the 2020–2022 Master Property Management Services Agreement, and accordingly, the 2020–2022 Supplemental Master Property Management Services Agreement was terminated by the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) on 10 January 2023. Details of the 2020–2022 Supplemental Master Property Management Services Agreement and the termination of which have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023 respectively.

The annual caps in respect of the transactions contemplated under the 2020–2022 Master Property Management Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Services amount	139,571	210,228	256,420

For the year ended 31 December 2022, the transaction amount of the above transaction was RMB224,366,685 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2020–2022 Master Property Management Services Agreement have been disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 5. Master Property Management Services Agreement" in the Prospectus.

As the 2020–2022 Master Property Management Services Agreement was due to expire on 31 December 2022, on 11 November 2022 and 10 January 2023, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a new framework agreement and a supplemental agreement (collectively, the "2023–2025 Master Property Management Services Agreement"), respectively, to renew the continuing connected transactions contemplated under the 2020–2022 Master Property Management Services Agreement with a fixed term commencing from the date of the approval by the independent Shareholders at the EGM and ending on 31 December 2025. The 2023–2025 Master Property Management Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice. The proposed annual caps of the transactions contemplated under the 2023–2025 Master Property Management Services Agreement for each of the three years ending 31 December 2025 are RMB365.0 million, RMB435.0 million and RMB540.0 million, respectively. The 2023–2025 Master Property Management Services Agreement and the transactions as contemplated thereunder (including the annual caps) were approved by the independent Shareholders at the EGM held on 31 January 2023. Details of the continuing connected transactions contemplated under the 2023–2025 Master Property Management Services Agreement have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023.

6. Master pre-delivery services agreement

On 27 November 2020, the Company entered into an agreement (the "2020–2022 Master Pre-delivery Services Agreement") with Sino-Ocean Holding (for itself and on behalf of its subsidiaries and associates (excluding the Group)) to govern the provision of pre-delivery services (such as on-site cleaning, security inspection, repair and maintenance, parking management and other customer related services) by the Group to the Sino-Ocean Connected Persons at their property sales venues and display units. The 2020–2022 Master Pre-delivery Services Agreement took effect upon the Listing Date and had expired on 31 December 2022.

The fees payable by the Sino-Ocean Connected Persons to the Group under the 2020–2022 Master Pre-delivery Services Agreement were determined on arm's length basis with reference to (i) the scope of the pre-delivery services; (ii) our expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the pre-delivery services; and (iii) the fees charged by other pre-delivery service providers for similar services in the market. The terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favorable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of pre-delivery services.

On 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a supplemental agreement (the "2020–2022 Supplemental Master Pre-delivery Services Agreement") pursuant to which the parties have agreed, subject to the obtaining of the approval by the independent Shareholders at the EGM, to revise the annual cap for the year ended 31 December 2022 in relation to the transactions as contemplated under the 2020–2022 Master Pre-delivery Services Agreement. Taking into account (i) the additional time which was required to finalise the relevant circular, (ii) the expected time for the relevant EGM to take place and (iii) the actual transaction amount pursuant to the 2020–2022 Master Pre-delivery Services Agreement for the year ended 31 December 2022 had not exceeded the original annual cap for the year ended 31 December 2022, the Board decided that it was no longer necessary to revise the annual cap for the year ended 31 December 2022 under the 2020–2022 Master Pre-delivery Services Agreement, and accordingly, the 2020–2022 Supplemental Master Pre-delivery Services Agreement was terminated by the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) on 10 January 2023. Details of the 2020–2022 Supplemental Master Pre-delivery Services Agreement and the termination of which have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023 respectively.

The annual caps in respect of the transactions contemplated under the 2020–2022 Master Pre-delivery Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Services amount	161,732	177,905	195,696

For the year ended 31 December 2022, the transaction amount of the above transaction was RMB183,073,751 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2020–2022 Master Pre-delivery Services Agreement have been disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 6. Master Pre-delivery Services Agreement" in the Prospectus.

As the 2020–2022 Master Pre-delivery Services Agreement was due to expire on 31 December 2022, on 11 November 2022 and 10 January 2023, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a new framework agreement and a supplemental agreement (collectively, the "2023–2025 Master Pre-delivery Services Agreement"), respectively, to renew the continuing connected transactions contemplated under the 2020–2022 Master Pre-delivery Services Agreement with a fixed term commencing from the date of the approval by the independent Shareholders at the EGM and ending on 31 December 2025. The 2023–2025 Master Pre-delivery Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice. The proposed annual caps of the transactions contemplated under the 2023–2025 Master Pre-delivery Services Agreement for each of the three years ending 31 December 2025 are RMB250.0 million, RMB276.0 million and RMB300.0 million, respectively. The 2023–2025 Master Pre-delivery Services Agreement and the transactions as contemplated thereunder (including the annual caps) were approved by the independent Shareholders at the EGM held on 31 January 2023. Details of the continuing connected transactions contemplated under the 2023–2025 Master Pre-delivery Services Agreement have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023.

7. Master consultancy and other value-added services agreement

On 27 November 2020, the Company entered into an agreement (the "2020–2022 Master Consultancy and Other Value-added Services Agreement") with Sino-Ocean Holding (for itself and on behalf of its subsidiaries and associates (excluding the Group)) to govern the provision of value-added services, which mainly included (i) consultancy services, such as advisory services on overall project design and planning and coordination of pre-sale activities; and (ii) property engineering and repair and maintenance services, by the Group to the Sino-Ocean Connected Persons. The 2020–2022 Master Consultancy and Other Value-added Services Agreement took effect upon the Listing Date and had expired on 31 December 2022.

The fees payable by the Sino-Ocean Connected Persons to the Group under the 2020–2022 Master Consultancy and Other Value-added Services Agreement were determined on arm's length basis with reference to (i) where applicable, the fees charged by the Group to its independent customers for the same or similar type and scope of value-added services; or (ii) where the Group has not provided the same or similar type and scope of value-added services to its independent customers, its expected costs (including, among others, labor costs, material costs and administrative costs) of providing the relevant services plus a profit margin of not less than 10%. The terms offered by the Group to the Sino-Ocean Connected Persons shall not be less favorable to the Group than terms offered by the Group to its independent customers for the same or similar type and scope of value-added services, where applicable.

On 11 November 2022, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a supplemental agreement (the "2020–2022 Supplemental Master Consultancy and Other Value-added Services Agreement") pursuant to which the parties have agreed, subject to the obtaining of the approval by the independent Shareholders at the EGM, to revise the annual cap for the year ended 31 December 2022 in relation to the transactions as contemplated under the 2020–2022 Master Consultancy and Other Value-added Services Agreement. Taking into account (i) the additional time which was required to finalise the relevant circular, (ii) the expected time for the relevant EGM to take place and (iii) the actual transaction amount pursuant to the 2020–2022 Master Consultancy and Other Value-added Services Agreement for the year ended 31 December 2022 had not exceeded the original annual cap for the year ended 31 December 2022, the Board decided that it was no longer necessary to revise the annual cap for the year ended 31 December 2022 under the 2020–2022 Master Consultancy and Other Value-added Services Agreement, and accordingly, the 2020–2022 Supplemental Master Consultancy and Other Value-added Services Agreement was terminated by the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) on 10 January 2023. Details of the 2020–2022 Supplemental Master Consultancy and Other Value-added Services Agreement and the termination of which have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023 respectively.

The annual caps in respect of the transactions contemplated under the 2020–2022 Master Consultancy and Other Value-added Services Agreement are as follows:

	Annual caps (RMB'000)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Services amount	140,695	275,695	354,495

For the year ended 31 December 2022, the transaction amount of the above transaction was RMB308,668,926 which did not exceed its annual cap.

Details of the continuing connected transactions contemplated under the 2020–2022 Master Consultancy and Other Value-added Services Agreement have been disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 7. Master Consultancy and Other Value-added Services Agreement" in the Prospectus.

As the 2020–2022 Master Consultancy and Other Value-added Services Agreement was due to expire on 31 December 2022, on 11 November 2022 and 10 January 2023, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a new framework agreement and a supplemental agreement (collectively, the "2023–2025 Master Consultancy and Other Value-added Services Agreement"), respectively, pursuant to which the Group shall provide the Sino-Ocean Connected Persons with consultancy and other value-added services, which mainly include (i) consultancy services, such as advisory services on overall project design, planning and coordination of pre-sale activities and other specific areas including project cleaning and security; (ii) property engineering and repair and maintenance services; and (iii) property sales agency services (including the exclusive parking space sales agency services. The 2023–2025 Master Consultancy and Other Value-added Services Agreement shall have a fixed term commencing from the date of the approval by the independent Shareholders at the EGM and ending on 31 December 2025. The 2023–2025 Master Consultancy and Other Value-added Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice. The proposed annual caps of the transactions contemplated under the 2023–2025 Master Consultancy and Other Value-added Services Agreement for each of the three years ending 31 December 2025 are RMB592.0 million, RMB682.0 million and RMB813.0 million, respectively. The 2023–2025 Master Consultancy and Other Value-added Services Agreement and the transactions as contemplated thereunder (including the annual caps) were approved by the independent Shareholders at the EGM held on 31 January 2023. Details of the continuing connected transactions contemplated under the 2023–2025 Master Consultancy and Other Value-added Services Agreement have been disclosed in the announcement of the Company dated 11 November 2022 and the circular of the Company dated 13 January 2023.

8. Master commercial operational services agreement

On 14 June 2021, the Company (on behalf of each member of the Group) entered into the master commercial operational services agreement (the "Master Commercial Operational Services Agreement") with Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person), pursuant to which the Company (on behalf of each member of the Group) has agreed to provide commercial operational services to the Sino-Ocean Connected Persons for their commercial properties (including shopping malls and office buildings). The commercial operational services provided by the Group to the Sino-Ocean Connected Persons include (i) pre-opening management services (such as positioning and design management services, and tenant sourcing and management services); and (ii) operation management services (such as opening preparation services, business plan management services, tenant coaching services, consumer management services and marketing services). The Master Commercial Operational Services Agreement took effect from 6 August 2021 following the passing of the ordinary resolution approving the transactions contemplated under the Master Commercial Operational Services Agreement and will expire on 31 December 2023. The Master Commercial Operational Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

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

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

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

For the year ended 31 December 2022, the transaction amount of the above transaction was RMB72,220,428 which did not exceed its annual cap.

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

9. Exclusive parking space sales agency services framework agreement

On 30 December 2021, the Company (on behalf of each member of the Group) entered into a framework agreement (the "2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement") with Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person), pursuant to which Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) has agreed to grant the exclusive sales rights to the Group and the Company (on behalf of each member of the Group) has agreed to provide exclusive sales agency services with respect to the target parking spaces to the Sino-Ocean Connected Persons. The 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement took effect from 30 December 2021 and had expired on 31 December 2022.

Pursuant to the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement, the Group shall from time to time pay the relevant Sino-Ocean Connected Persons fully refundable deposits by installments according to the payment schedule to be determined and agreed with reference to anticipated sales progress for the relevant target parking spaces and to be set out in specific agreements for obtaining the exclusive sales rights in respect of the target parking spaces, with the amount of which determined with reference to the base price for the sale of the relevant target parking spaces, and the Group shall charge the difference between the actual sales price paid by the purchasers of the target parking spaces and the relevant base price as fees for providing exclusive sales agency services with respect to the target parking spaces.

On 14 October 2022, the Company (on behalf of each member of the Group) entered into a supplemental agreement (the "2021–2022 Supplemental Exclusive Parking Space Sales Agency Services Framework Agreement") with Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) pursuant to which the parties have agreed, subject to the obtaining of approval by the independent Shareholders at the EGM, to (i) revise the deposit cap for the year ended 31 December 2022 under the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement in view of the additional amount of deposits expected to be paid for the obtaining of the exclusive sales rights for additional target parking spaces and (ii) provide for an additional term to cap the amount of deposit for the obtaining of the exclusive sales right in respect of each newly added target parking space at 50% of the base price thereof. Taking into account (i) the additional time which was required to finalise the relevant circular, (ii) the expected time for the relevant EGM to take place and (iii) the actual amount of deposits paid/payable pursuant to the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement for the year ended 31 December 2022 had not exceeded the original deposit cap for the year ended 31 December 2022, the Board decided that it was no longer necessary to revise the deposit cap for the year ended 31 December 2022 under the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement, and accordingly, the 2021–2022 Supplemental Exclusive Parking Space Sales Agency Services Framework Agreement was terminated by the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) on 10 January 2023. Details of the 2021–2022 Supplemental Exclusive Parking Space Sales Agency Services Framework Agreement and the termination of which have been disclosed in the announcement of the Company dated 14 October 2022 and the circular of the Company dated 13 January 2023 respectively.

The annual caps in respect of the deposits payable under the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement are as follows:

	Annual caps (RMB'000)	
	For the year ended 31 December 2021	For the year ended 31 December 2022
Deposits	100,000	100,000

For the year ended 31 December 2022, the deposits paid and payable under the above transaction was RMB90,481,830 which did not exceed its annual cap.

The provision of sales agency services under the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement formed part of the continuing connected transactions carried out pursuant to the 2020–2022 Master Consultancy and Other Value-added Services Agreement, and the sales agency service fees payable by the Sino-Ocean Connected Persons to the Group under the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement were subject to the annual caps thereunder as disclosed above.

Details of the continuing connected transactions contemplated under the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement have been disclosed in the announcement of the Company dated 30 December 2021 and the supplemental announcement of the Company dated 20 January 2022.

As the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement was due to expire on 31 December 2022, on 14 October 2022 and 10 January 2023, the Company (on behalf of each member of the Group) and Sino-Ocean Holding (on behalf of each Sino-Ocean Connected Person) entered into a new framework agreement and a supplemental agreement (collectively, the "2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement"), respectively, pursuant to which the parties have agreed to renew the continuing connected transactions under the 2021–2022 Exclusive Parking Space Sales Agency Services Framework Agreement with a fixed term commencing from the date of the approval by the independent Shareholders at the EGM and ending on 31 December 2025, on terms as set out in the 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement. The balance of deposits to be paid under the 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement at any time during the three years ending 31 December 2023, 2024 and 2025 shall not exceed RMB450.0 million, RMB450.0 million and RMB450.0 million respectively. The provision of sales agency services under the 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement shall form part of the continuing connected transactions pursuant to the 2023–2025 Master Consultancy and Other Value-added Services Agreement, and the sales agency service fees payable by the Sino-Ocean Connected Persons to the Group shall be subject to the relevant annual caps thereunder as disclosed above. The 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement and the transactions as contemplated thereunder (including the annual caps for deposits) were approved by the independent Shareholders at the EGM held on 31 January 2023. Details of the continuing connected transactions contemplated under the 2023–2025 Exclusive Parking Space Sales Agency Services Framework Agreement have been disclosed in the announcement of the Company dated 14 October 2022 and the circular of the Company dated 13 January 2023.

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

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

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

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

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

(4) nothing has come to their attention that causes them to believe that the transactions have exceeded the relevant annual cap for the year ended 31 December 2022.

• Related party transactions

A summary of significant related party transactions entered into by the Group during the year under review is contained in note 34 to the consolidated financial statements of this annual report. Save as disclosed above, the related party transactions described in the aforementioned note do not fall within the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

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

CHANGE IN DIRECTORS' INFORMATION

There is no change in the information of the Directors subsequent to 13 September 2022 (being the latest practicable date prior to the issue of the interim report of the Company for the six months ended 30 June 2022) and up to the Latest Practicable Date required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUFFICIENT PUBLIC FLOAT

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

AUDITORS

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

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by Fan, Chan & Co. Limited, whose term of office will expire upon the conclusion of the forthcoming AGM. Ordinary resolution for appointment of Fan, Chan & Co. Limited as the auditor of the Company and fixing its remuneration will be proposed at the forthcoming AGM for the Shareholders' approval.

PRE-EMPTIVE RIGHTS

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

CONSULTING PROFESSIONAL TAX ADVISERS

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

By order of the Board

YANG Deyong

Joint Chairman

Hong Kong, 31 March 2023

CORPORATE GOVERNANCE REPORT

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

COMMITMENT TO CORPORATE GOVERNANCE

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company, so as to create long-term sustainable growth for Shareholders and deliver long-term values to all stakeholders. The management of the Group also actively observes the latest corporate governance developments in Hong Kong and overseas.

• Corporate culture

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

Corporate objectives and strategies

The Company's objectives, values and strategies are complementary to and aligned with its corporate culture. Sino-Ocean Service formulates sustainable and qualitative development policies and strategies with the objective of fostering long-term sustainable growth for Shareholders and long-term value for stakeholders. The brand vision of Sino-Ocean Service is to be an "asset value and quality life maker" that safeguards value appreciation and value protection for various businesses on the back of its experience with mid- to high-end properties. To fulfil this long-term vision, Sino-Ocean Service is focused on its principal servicing business as it persists in its initial commitment and mission of "serving customers with an artisan's spirit" to create quality life for property owners and customers through refined and satisfactory services, in a bid to become a branded superior integrated property management service provider in China and a developer of the upstream and downstream businesses in property management. In line with our service philosophy of "being understanding and innovative", we seek to understand customers' need in an in-depth manner and provide attentive, thoughtful services to foster heartwarming and trustworthy customer relations. In the meantime, we monitor developments relating to the latest technologies and upgrade our technologies on an ongoing basis to identify evolving customer needs in a dynamic manner and provide supreme servicing experience to deliver maximum value in customer service. Service is action rather than just mere promise. The actions of Sino-Ocean Service always begin with customers' needs and ends only with customers' satisfaction, as we put ourselves in customers' shoes and fulfil customers' urgent needs with urgency. We shift from the consumer's perspective to one of a user, as users must first become old customers before they could only bring in any new ones. For a discussion and analysis of the Group's performance for the year and further details on the bases on which the Group generates long-term value and realizes its objectives, please refer to the Chairman's Statement and the section headed "Business Review" under the Management Discussion and Analysis of this annual report. The Group incorporates the sustainability concept into its long-term development strategy and day-to-day operations and management to fortify the developmental foundation of compliant operations, while persisting in green operations as it consistently enhances its ability in low-carbon operation in active fulfilment of its social responsibility. For further details of the Group's sustainability practices and how they relate to its stakeholders, please refer to the Sustainability Report of this annual report and the 2022 ESG Report of the Company.

Corporate governance practices

In the opinion of the Board, the Company had applied the principles of the CG Code to its corporate governance structure and practices as described in this report and complied with the code provisions of the CG Code throughout the year ended 31 December 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 former Company Secretary on 13 April 2022 was approved by a written resolution of the Board in lieu of a physical Board meeting in accordance with the Articles. Prior to the execution of the written resolution, Board papers regarding the appointment 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 such appointment.

• Corporate governance structure

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

Board

Major duties:

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

Audit Committee

Major duties:

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

Nomination Committee

Major duties:

- make recommendations to the Board on the appointment, re-appointment and removal of the Directors and senior management
- review the Board diversity and its policy and make recommendations

Remuneration Committee

Major duties:

- establish and review the policy and structure of the remuneration for the Directors and senior management
- make recommendations to the Board on employee benefit arrangements

• Directors' and relevant employees' securities transactions

The Company has adopted a Code of Conduct on terms no less exacting than those required standards set out in the Model Code. Following specific enquiries made by the Company, all the Directors have confirmed that they had complied with all required standards set out in the Model Code throughout their tenure during the year ended 31 December 2022 and in the Code of Conduct throughout their tenure during the year ended 31 December 2022 or throughout the period from the date on which they were circulated the same to 31 December 2022.

The Company has also set out a guideline no less exacting than the Model Code regarding securities transactions by the relevant employees (the "Relevant Employees") who, because of their roles and functions in the Company or its subsidiaries, are likely to be in possession of inside information. All the Relevant Employees are reminded of the necessity for compliance with the guideline regularly.

THE BOARD

• Responsibilities

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

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

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

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

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

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

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

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

- annual budget, management results and performance update against annual budget, together with business reports from the management;
- interim results announcement and interim report for the six months ended 30 June 2022;
- final results announcement and annual report (including the corporate governance report) for the year ended 31 December 2021;
- recommendation of payment of final dividend for the year ended 31 December 2021 and declaration of the interim dividend for the six months ended 30 June 2022;

- the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- ESG report for the year ended 31 December 2021;
- corporate governance matters, including review the internal control policies of the Company; and
- notifiable transactions, connected transactions and continuing connected transactions and compliance with the relevant requirements under the Listing Rules applicable to the transactions.

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

Board composition

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

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

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

(i) Joint Chairmen and Chief Executive Officer

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

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

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

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

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

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

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

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

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

Each of Mr. CUI Hongjie and Mr. ZHU Xiaoxing, both of whom are the Non-executive Directors, has agreed to waive the Director's fees for the year ended 31 December 2022.

Mechanisms for ensuring independent views and input

The Board recognised that board independence is critical to good corporate governance and its effectiveness. The Company has established mechanisms to ensure independent views and input are available to the Board. Such mechanisms are reviewed annually by the Board to ensure their effectiveness:

- three out of the seven Directors are Independent Non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three Independent Non-executive Directors and must appoint Independent Non-executive Directors representing at least one-third of the Board
- majority members of the Board Committees are Independent Non-executive Directors
- the Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new Independent Non-executive Director before appointment and assess the independence of the Independent Non-executive Directors and their time commitments annually
- no equity-based remuneration with performance-related elements will be granted to the Independent Non-executive Directors
- all Directors are encouraged to express freely their independent views and constructive challenges during the Board/ Board Committee meetings
- a Director (including an Independent Non-executive Director) who has a material interest in a matter shall not vote or be counted in the quorum on any Board resolution approving the same
- external independent professional advice is available as and when requested by individual Directors, at the Company's expense
- all Directors have full and timely access to advice from the Company Secretary
- the Joint Chairmen meet with the Independent Non-executive Directors annually without the presence of other Directors

Appointment and re-election of Directors

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

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

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

• Meetings

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

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

	Number of meetings attended/eligible to attend		
Directors	**Board meeting**	**AGM**	**EGM**
Mr. YANG Deyong	7/7	1/1	1/1
Ms. ZHU Geying	7/7	1/1	1/1
Mr. CUI Hongjie	7/7	0/1	1/1
Mr. ZHU Xiaoxing	7/7	0/1	1/1
Dr. GUO Jie	7/7	0/1	0/1
Mr. HO Chi Kin Sammy (appointed on 3 August 2022)	6/6	N/A	1/1
Mr. LEUNG Wai Hung (appointed on 4 August 2022)	6/6	N/A	1/1
Dr. XUE Jun (resigned on 3 August 2022)	1/1	0/1	N/A
Mr. ZHU Lin (resigned on 4 August 2022)	1/1	1/1	N/A

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

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

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

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

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

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

During the year under review, owing to the constantly evolving COVID-19 pandemic situation and other affairs, certain Board members could not attend the AGM or the EGM. However, they had expressed their concern on the questions raised at the AGM or the EGM.

Training for Directors

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

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

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

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

Directors	Type of trainings
Mr. YANG Deyong	A/C
Ms. ZHU Geying	A/C
Mr. CUI Hongjie	A/C
Mr. ZHU Xiaoxing	A/C
Dr. GUO Jie	A/C
Mr. HO Chi Kin Sammy (appointed on 3 August 2022)	A/C
Mr. LEUNG Wai Hung (appointed on 4 August 2022)	A/C
Dr. XUE Jun (resigned on 3 August 2022)	N/A
Mr. ZHU Lin (resigned on 4 August 2022)	N/A

Remarks:

A: attending seminars, conferences and/or forums

B: giving talk at seminars or forums

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

• Directors' and officers' liability insurance and indemnity

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

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

BOARD COMMITTEES

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

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

	Number of meetings attended/eligible to attend		
Directors	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Mr. YANG Deyong	N/A	1/1	1/1
Mr. CUI Hongjie	3/3	N/A	1/1
Mr. ZHU Xiaoxing	3/3	N/A	N/A
Dr. GUO Jie	3/3	1/1	1/1
Mr. HO Chi Kin Sammy (appointed on 3 August 2022)	2/2	N/A	N/A
Mr. LEUNG Wai Hung (appointed on 4 August 2022)	2/2	N/A	N/A
Dr. XUE Jun (resigned on 3 August 2022)	1/1	1/1	1/1
Mr. ZHU Lin (resigned on 4 August 2022)	1/1	N/A	1/1

• Audit Committee

After the cessation of Dr. XUE Jun as a member of the Audit Committee and the appointment of Mr. HO Chi Kin Sammy as a member of the Audit Committee with effect from 3 August 2022, and the cessation of Mr. ZHU Lin as the chairman of the Audit Committee and the appointment of Mr. LEUNG Wai Hung as the chairman of the Audit Committee with effect from 4 August 2022, the Audit Committee consists of three Independent Non-executive Directors, namely Mr. LEUNG Wai Hung, Dr. GUO Jie and Mr. HO Chi Kin Sammy, and two Non-executive Directors, namely Mr. CUI Hongjie and Mr. ZHU Xiaoxing. Mr. LEUNG Wai Hung, who has professional qualification in accountancy, is the chairman of the Audit Committee. None of them is a partner or former partner in the preceding two years of the existing auditors of the Company, or has or had in the preceding two years any financial interest in the existing auditors.

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

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

The tasks, among others, performed by the Audit Committee during the year under review included:

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

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

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

(iv) discussion with the external auditors on the issues of, including but not limited to the impact of national macro policies to properties management companies, financial risks, progress of various projects and the significant matters which might have an impact on the consolidated financial statements;

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

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

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

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

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

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

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

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

(xiii) review of the internal control policies of the Company, including the whistleblowing policy and the anti-corruption and anti-bribery policy; and

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

• Remuneration Committee

After the cessation of Dr. XUE Jun as the chairman of the Remuneration Committee and the appointment of Mr. HO Chi Kin Sammy as the chairman of the Remuneration Committee with effect from 3 August 2022, the Remuneration Committee comprises three members, being two Independent Non-executive Directors, namely Mr. HO Chi Kin Sammy and Dr. GUO Jie, and one Executive Director, Mr. YANG Deyong. Mr. HO Chi Kin Sammy is the chairman of the Remuneration Committee.

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

The tasks, among others, performed by the Remuneration Committee during the year under review included:

(i) review and approval of the report of the labour cost for the year ended 31 December 2021 and the budget of the overall cost for the year ended 31 December 2022;

(ii) assessment of the performance of the Executive Directors;

(iii) recommendation to the Board on the remuneration packages of the Executive Directors and senior management and the Director's fees of the Non-executive Directors and the Independent Non-executive Directors for the year ended 31 December 2022; and

(iv) recommendation to the Board on the Director's fees of two Independent Non-executive Directors appointed during the year.

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

The remuneration of Directors is determined with reference to a number of factors, including but not limited to, their experience, qualifications, duties and responsibilities involved in the Company and the prevailing market conditions. Details of emoluments of Directors for the year under review are set out in note 36 to the consolidated financial statements of this annual report. The emoluments paid to senior management during the year under review were within the following bands:

	Number of senior management
Above RMB1 million and below or equal to RMB2 million	3
Above RMB2 million and below or equal to RMB3 million	1

• Nomination Committee

After the cessation of each of Dr. XUE Jun and Mr. ZHU Lin as a member of the Nomination Committee with effect from 3 August 2022 and 4 August 2022 respectively, and the appointment of each of Mr. HO Chi Kin Sammy and Mr. LEUNG Wai Hung as a member of the Nomination Committee with effect from 3 August 2022 and 4 August 2022 respectively, the Nomination Committee comprises five members, being an Executive Director, Mr. YANG Deyong, a Non-executive Director, Mr. CUI Hongjie, and three Independent Non-executive Directors, namely Dr. GUO Jie, Mr. HO Chi Kin Sammy and Mr. LEUNG Wai Hung. Mr. YANG Deyong is the chairman of the Nomination Committee.

The main duties of the Nomination Committee are to make recommendations to the Board on the appointment, re-appointment and removal of the Directors and senior management and to review the Board diversity and its policy (the "Board Diversity Policy") and make recommendations to the Board. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The tasks, among others, performed by the Nomination Committee during the year under review included:

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

(ii) review of the profile, independence and time commitment of the potential candidates for nomination as the Directors in accordance with the nomination policy of the Company (the "Nomination Policy") and with due regard for the benefits of diversity, as set out under the Board Diversity Policy, and then make recommendation to the Board;

(iii) consideration of resignations and appointments of the Independent Non-executive Directors and recommendation to the Board for approval;

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

(v) consideration of the mix of the Board, qualification, skills and experience of the Directors to be retired and entitled to be re-elected at the general meetings and recommendation to the Board on the re-appointment of the Directors; and

(vi) review of the Board Diversity Policy.

• Summary of Nomination Policy under Nomination Committee

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

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

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

• Summary of Board Diversity Policy under Nomination Committee

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

An analysis of the Board composition as of 31 December 2022 is set out in the following chart:

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

The Board is characterised by significant diversity and independence:

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

The Nomination Committee reviews annually on the composition of the Board under diversified perspectives according to the Board Diversity Policy, and monitor the implementation of the Board Diversity Policy to ensure its effectiveness. The Board is satisfied that the current level of diversity of the Board is appropriate to the requirements of the Group's business model and specific needs and the Board Diversity Policy is consistently implemented. The Board targets to maintain at least the current level of female Director representation and as part of the succession planning, the Board will continue to seek opportunities to increase the female Director representation over time as and when suitable candidates are identified.

The Group also takes steps to promote gender diversity at all levels of its workforce. Equal opportunities for employment, training and career development are opened to all eligible employees regardless of gender. The Group promotes personal well-being and supports employees to balance work and home-life commitments. As at 31 December 2022, the gender diversity details of employees of the Group (excluding the Directors) are set out as follows:

Employee category	Male		Female	
	Number of persons	Percentage of employee category	Number of persons	Percentage of employee category
Senior management	4	100%	—	—
Middle management	84	67%	41	33%
Non-management personnel	5,834	58%	4,216	42%
All levels	5,922	58%	4,257	42%

As at 31 December 2022, among all employees of the Group (including senior management), 58% were male and 42% were female. The Board considers that the gender diversity in workforce is currently balanced taking in account the Group's business model and specific needs, and targets to maintain the current level of gender diversity in its workforce, with the ultimate goal of achieving gender parity. Nevertheless, the Group is committed to increase the proportion of female member in the senior management yet having the flexibility for the best candidate to be considered regardless of gender.

COMPANY SECRETARY

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

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

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other price sensitive announcements and other financial disclosures as required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2022 is set out in the Independent Auditor's Report on pages 97 to 104 of this annual report.

The Company's independent auditor has expressed a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2022. Such qualified opinion is related to the limitation of scope on refundable deposit payments made by the Group. Details of such qualified opinion as well as the views of the management of the Company and the Audit Committee are disclosed in the paragraphs headed "Basis for Qualified Opinion" in the Independent Auditor's Report and the paragraphs headed "Additional information on audit qualifications" under the Management Discussion and Analysis of this annual report. It is also mentioned in note 2 to the consolidated financial statements conditions that indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. The auditor's opinion is not modified in respect of this matter. The Directors have carefully considered the Group's expected cash flow projections which cover a period of not less than twelve months for the twelve months ending 31 December 2023 and have been undertaking a number of measures to improve the Group's liquidity and financial position as mentioned in note 2 to the consolidated financial statements. In the opinion of the Directors, in light of the various measures/ arrangements implemented, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors consider that the preparation of the consolidated financial statements as at 31 December 2022 on a going concern basis is appropriate. Please refer to note 2 to the consolidated financial statements for details.

RISK MANAGEMENT AND INTERNAL CONTROL

• Duties of the Board and the management

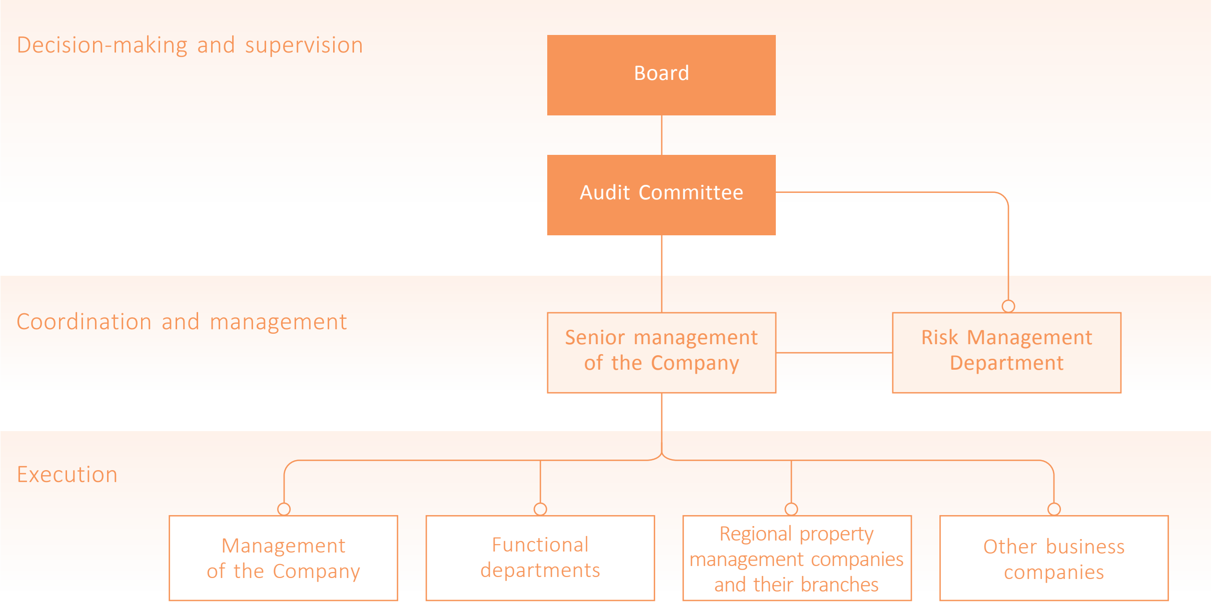
The Board reviews the Group's risk management and internal control systems annually which covers, among other things, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions as well as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

• Risk management

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

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

Organisational structure of risk management



• Risk management process

01 Risk identification

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

02 Risk assessment

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

03 Risk response

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

04 Dynamic supervision of risk management

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

05 Improvement of risk management work

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

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

• Internal control

The Board requires the management to maintain sound and effective internal control. The Group has an internal audit function. Assessment of the Group's risk management and internal control and internal audit are independently conducted by the Risk Management Department, which is responsible for coordinating the Company's internal control work. At the end of each year, the Risk Management Department proposes the internal audit plan for the following year, the scope of which covers internal control audit, turnover audit, in-service audit and specific audit, subject to subsequent adjustments in the number of internal audit items and sequence of implementation depending on actual management needs, and such audit plan will be submitted to the general manager of the Risk Management Department and the general manager of the Company for approval. The Risk Management Department reports to the Audit Committee twice each year on, among others, any significant findings and the effectiveness of internal audit, risk management and internal control systems. All findings and rectification on internal control deficiencies are communicated with respective management and/or business units for process improvement, in order to ensure that satisfactory control is maintained. Any major audit findings and control deficiencies are reported to the Audit Committee and all rectification plans will be properly followed up by management and/or business units to ensure that they are remediated as intended within a reasonable period; and the status is reported to the Audit Committee. The Company has formulated the "Comprehensive Risk Management System" and "Internal Audit Management System" to enhance the effectiveness of internal audit and bring into full play the positive effect of internal audit on internal control and risk management and on the accomplishment of the Company's strategic goals.

The Board acknowledges that it is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board, through the Audit Committee and the Risk Management Department, conducted the review of the risk management and internal control systems of the Group for the year ended 31 December 2022 and considered them remain effective and adequate.

The Group has implemented the policy on price-sensitive inside information (the "Inside Information Policy") in order to ensure inside information is identified, handled and disseminated in compliance with the SFO and the Listing Rules. The Inside Information Policy also provides the proper procedures and prohibition of handling inside information. The Group will disclose inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours provisions and satisfies the conditions under the SFO. Before the information is fully disclosed to the public, the Group will ensure that the information is kept strictly confidential. All employees are prohibited all times from dealing in the securities of the Company when they are in possession of unpublished inside information. Further, employees are subject to a 60-day blackout period prior to the release of the Company's annual results and a 30-day blackout period prior to the release of interim results and not allowed to release price-sensitive information to media, investors and financial institutions.

SUSTAINABLE DEVELOPMENT

To ensure the smooth development of sustainability work, the Board acts at the supreme decision-making body for sustainability management to oversee all affairs relating to sustainability, formulate policies and strategies for sustainability and regulate the corporate ESG management structure. The Company has established the sustainability work group (the "Sustainability Work Group") which is responsible for collecting relevant information, supervising the execution of sustainability policies and strategies formulated by the Board, and reporting relevant work to the decision-making body on a regular basis. Formed by the corresponding officers of various departments, the Sustainability Work Group elucidates the duties of various specialised positions in the strategy and established relevant mechanisms to safeguard smooth operation according to the Company's current sustainability principles. The Board appreciates the importance of sustainability for the Company and the society and firmly believes that sustainability is conducive to the Company's business growth.

The Board will continue to maintain a high level of sustainability, ensuring sound corporate governance, safeguarding employees' interests, protecting the environment and maintaining active communication and sound relations with stakeholders.

WHISTLE BLOWING CHANNEL

The Group adheres to promote an open, transparent, sharing and responsible corporate culture and therefore has adopted a "Administrative Measures on Whistleblowing and Appeal" and a "Whistleblowing Policy" (the "Whistleblowing Policy") in order to strengthen company management, deal with various violations of laws and regulations, prevent corruption and fraud problems, resist commercial bribery through encourage whistleblowers (including employees, suppliers, customers and business partners) to report the infractions of Directors, management and employees of the Company and to raise their concerns for any possible fraud, corruption or improprieties in any matter related to the Group.

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

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

ANTI-CORRUPTION AND ANTI-BRIBERY POLICY

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

The Group also organizes the employees to carry out compliance and integrity training every year to enhance the integrity awareness across the organisation. The compliance and integrity training covers Directors, senior management and staff. During the year, the Group held a total of 39 anti-corruption and anti-bribery training sessions.

INDEPENDENT AUDITOR

PwC resigned as the auditor of the Company with effect from 2 December 2022. At the recommendation of the Audit Committee, the Board appointed Fan, Chan & Co. Limited as the new auditor of the Company to fill the casual vacancy following the resignation of PwC with effect from 2 December 2022 and to hold office until the conclusion of the forthcoming AGM. Fan, Chan & Co. Limited is responsible for auditing and forming an independent opinion on the Group's consolidated financial statements for the year ended 31 December 2022.

Details of the remunerations paid/payable for the audit and non-audit services provided by the auditors to the Group for the year ended 31 December 2022 are set out in the table below:

Services rendered	RMB ('000)
Audit services:	
— Annual audit	2,480
Non-audit services:	
— Review of interim financial information	920
— Other services	220

CONSTITUTIONAL DOCUMENTS

A special resolution was passed at the 2022 AGM held on 25 May 2022 to amend the memorandum of association of the Company and the Articles (the "Memorandum and Articles of Association") in order to (i) bring the Memorandum and Articles of Association on terms no less exacting than those under the latest legal and regulatory requirements, including the amendments made to the shareholder protection standards set out in Appendix 3 to the Listing Rules, which became effective from 1 January 2022, and the applicable laws of the Cayman Islands; and (ii) introduce corresponding as well as house-keeping amendments (collectively, the "Amendments"). Details of the Amendments have been disclosed in the announcement of the Company dated 13 April 2022 and the circular of the Company dated 14 April 2022.

An updated copy of the Memorandum and Articles of Association is posted on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

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

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

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

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

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

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

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

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

During the year under review, an AGM was held on 25 May 2022 and an EGM was held on 21 October 2022 at which the Directors, the Joint Chairmen, chairman of the Board Committees, senior management, external auditors and/or external advisers made efforts to attend either in person or by means of electronic facilities to communicate with the Shareholders and to address their queries. In addition, all corporate communications and regulatory announcements were published by the Company on the websites of the Stock Exchange and the Company in a timely manner. The Board has reviewed the Shareholders' Communication Policy and in view of the above steps taken to communicate with the Shareholders, considered that it has been implemented effectively during the year.

INDEPENDENT AUDITOR'S REPORT

范陳會計師行有限公司
Fan, Chan & Co. Limited

Rooms 1007–1012, 10/F.
K. Wah Centre
191 Java Road
North Point
Hong Kong

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Sino-Ocean Service Holding Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 105 to 181, which comprise the consolidated statement of financial position as at 31 December, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the section of "Basis for Qualified Opinion" of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Limitation of scope on refundable deposit payments made by the Group

As disclosed in Note 23 to the consolidated financial statements, included in "Prepayments and other receivables" of the Group as at 31 December 2022 were refundable deposit receivables due from a related party which is a fellow subsidiary of the Company and third parties with net carrying amounts of RMB761 million (2021: Nil) and RMB74 million (2021: Nil) respectively. These refundable deposit receivables arose from payments of various refundable deposits for potential investments made by the Group to the related party and third parties during the year ended 31 December 2022. As reported in the consolidated statement of cash flows, the aggregate gross payments of this nature made by the Group to the related party and third parties in the year ended 31 December 2022 amounted to RMB4,264 million (2021: Nil) and RMB1,885 million (2021: RMB2,400 million) (collectively referred to as the "Transactions"), while RMB3,245 million (2021: Nil) and RMB1,790 million (2021: RMB2,400 million) were refunded to the Group from the related parties and third parties, respectively, during the year. Certain of these transactions happened during the period which had been reviewed by the predecessor auditors of the Group (the "Predecessor Auditor") during the course of their work in 2022. As stated in the announcement of the Company titled "Change of auditor" and dated 2 December 2022 (the "Announcement"), the Predecessor Auditor has in its resignation letter dated 2 December 2022 to the Audit Committee and the Board set out the matters leading to its resignation as the auditor of the Company, which also represent those that the Predecessor Auditor considers should be brought to the attention of the Shareholders and creditors of the Company. The significant matters which might have an impact on the consolidated financial statements of the Group for the year ended 31 December 2022 as set out in the Announcement are as follows:

(1) the commercial rationale for why funds were paid to and received back from the certain third parties with which the Group has signed investment cooperation agreements, together with an assessment and conclusion on whether these arrangements comply with the Group's relevant internal control policies and compliance requirements; and

(2) the commercial rationale for the Group making certain non-contractual fund advances to the related party, which was a joint venture of the Company's ultimate holding company at the relevant times when the funds were advanced, together with an assessment and conclusion of the expected credit loss on these related receivables and whether these arrangements comply with the Group's relevant internal control policies and compliance requirements.

The Group has appointed a financial advisor to carry out a review of the significant matters described above in terms of commercial rationale and the implications under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. The independent review report revealed that the Transactions might trigger disclosure obligations of the Company pursuant to the requirements under Rule 13.13 and Rule 13.14 of the Listing Rules and/or notifiable transactions and connected transactions under Chapter 14 and Chapter 14A of the Listing Rules. The Company has yet to comply with the relevant requirements under the Listing Rules. We are unable to ascertain the legal consequences, liabilities and penalties imposable for such non-compliance with the Listing Rules.

During the course of our audit for the year ended 31 December 2022, we have not been provided with sufficient appropriate audit evidence to satisfy us as to the commercial substance of the Transactions, including the reasons for the Group entering into the agreements relating to the Transactions. Furthermore, up to the date of this report, we had not obtained sufficient appropriate audit evidence to satisfy ourselves about the concerns expressed by the Predecessor Auditor regarding the Transactions concerning the commercial rationale of the Transactions. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the commercial substance and nature of the Transactions, and hence the validity, rights, accuracy, classification and presentation of the Transactions and the related account balances included in "Prepayments and other receivables" of the Group as at 31 December 2022 in the consolidated financial statements. Moreover, no sufficient appropriate audit evidence has been provided to us to satisfy us as to the financial ability of the counterparties to repay the outstanding balances due to the Group. Accordingly, we were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the recoverability of the carrying amounts of the refundable deposit receivables due from the related party and third parties included in "Prepayments and other receivables" of the Group as at 31 December 2022 and the adequacy of the allowances for expected credit losses on these balances recognised in the consolidated financial statements as at and for the year ended 31 December 2022.

There were no satisfactory alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts of refundable deposits included in "Prepayment and other receivables" as at 31 December 2022 and the amounts of the Transactions and refunds in relation to certain of the Transactions for the years ended 31 December 2022 and 2021 included in the consolidated financial statements were free from material misstatements; whether the disclosures of related party transactions and balances in the consolidated financial statements were complete and accurate and in accordance with the requirements of the applicable Hong Kong Financial Reporting Standards ("HKFRSs"), including the Hong Kong Accounting Standard 24 "Related Party Disclosures"; and how the cash outflows amounting to an aggregate of RMB6,149 million (2021: RMB2,400 million) and cash inflows amounting to an aggregate of RMB5,035 million (2021: RMB2,400 million) relating to the Transactions should be presented in the consolidated financial statements. Any adjustments that might have been found necessary may have a significant effect on the Group's consolidated net assets at 31 December 2022 and the consolidated financial performance and consolidated cash flows of the Group for the years ended 31 December 2022 and 2021, and the related elements and disclosures thereof in the consolidated financial statements.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements which states that the Group reported a net decrease in cash and cash equivalent of RMB2,043 million for the year ended 31 December 2022, net cash outflow of approximately RMB44 million from operating activities, net cash outflow of RMB1,707 million from investing activities and net cash outflow of RMB292 million from financing activities. As at 31 December 2022, the Group's current liabilities amounted to RMB1,736 million while its total cash (including cash and cash equivalents and restricted bank deposits) amounted to RMB472 million. Included in current assets of the Group are trade, note and other receivables whose carrying amounts at 31 December 2022 amounted to RMB2,188 million in aggregate and included balances due from the group entities or related parties of the Company's ultimate holding company, which are principally engaged in property development and property investment in the People's Republic of China ("PRC"), which amounted to RMB1,374 million as at 31 December 2022 and accounted for 63% of the total receivables balance. As disclosed in Note 23 to the consolidated financial statements, the gross balance due from the related party relating to the refundable deposits for potential investments described in the "Basis for Qualified Opinion" section amounted to RMB1,019 million, and approximately RMB392 million was subsequently refunded after the end of the report period. Up to the date of this report, approximately RMB627 million of such deposits receivable from the related party is still outstanding. These conditions, along with other matters as set out in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Basis for Qualified Opinion" section and the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Loss allowance assessment of trade and note receivables *Refer to Note 4(a) "Critical accounting estimates and judgements" and Note 22 "Trade and note receivables" to the consolidated financial statements.* As at 31 December 2022, the gross amount of trade and note receivables of the Group amounted to approximately RMB1,292 million. Management has assessed the expected credit losses ("ECLs") of trade and note receivables and recognised provision for loss allowance of approximately RMB228 million on these trade and note receivables as of 31 December 2022. The net carrying amount of trade and note receivables represented approximately 26% of the total assets of the Group. Provision for loss allowance of trade and note receivables was made based on an assessment of the lifetime expected credit losses, including an assessment of the risk of default and the expected loss rate. In performing the assessment, management considered the credit quality of debtors by considering their historical observed default rates, financial position, ageing profile of receivable balances, and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period. We focused on auditing the loss allowance assessment of trade and note receivables because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the loss allowance assessment of trade and note receivables is considered significant due to the subjectivity of significant assumptions and estimates used.	We have performed the following procedures to address this key audit matter: • Understanding the key controls on how the loss allowance for trade and note receivables is estimated by the management; • Reviewing and assessing the application of the Group's policy for calculating ECLs to consider consistency of application; • Evaluating techniques and methodologies in ECLs model against the requirements of HKFRS 9; • Assessing the reasonableness of ECLs estimates from checking the information used by the management to make the judgements, which comprises testing the accuracy of the history of default, evaluating the current economic conditions and forward-looking information specific to the customers used in determining estimated loss rates, and considering subsequent settlements and the latest information subsequent to the year end date for any adjustments to default rate required; • Selecting samples from the aging analysis to consider appropriateness of classification of trade receivables to ensure proper determination of trade and note receivables with significant increase in credit risks by checking to the settlement records, and discussing with the management customers' current ability of settlement, any available information for assessing the creditability of the customers and the current economic environment in which the customers operate; and • Checking the mathematical accuracy of the ECLs. Based on the above, we considered that the significant judgments and estimates made by management in relation to the provision for loss allowance of trade and note receivables were supportable by the evidence obtained and procedures performed.

Key audit matter	How our audit addressed the key audit matter
Loss allowance assessment of other receivables *Refer to Note 4(b) "Critical accounting estimates and judgements" and Note 23 "Prepayments and other receivables" to the consolidated financial statements.* As at 31 December 2022, the gross amount of other receivables of the Group amounted to approximately RMB1,433 million. Management has assessed the ECLs of other receivables and recognised provision for loss allowance of approximately RMB308 million on these other receivables as of 31 December 2022. The net carrying amount of other receivables represented approximately 28% of the total assets of the Group. The assessment of impairment of financial assets at amortised cost under the expected credit loss model is considered to be a key audit matter as it requires the application of judgement to reflect information about past events, current conditions and forecasts of future conditions, and use of subjective assumptions by the management. The ECLs were assessed by the management with reference to valuations performed by an independent valuer engaged by the Group and other information of the assets.	We have performed the following procedures to address this key audit matter in relation to other receivables of the Group (excluding the refundable deposit receivables due from a related party and from third parties described in the "Basis for Qualified Opinion" section above): • Understanding the key controls on how the impairment assessment of financial assets at amortised cost is estimated by the management; • Reviewing and assessing the application of the Group's policy for calculating ECLs to consider consistency of application; • Evaluating the independence, objectivity, competence and capabilities of the valuer; • Evaluating techniques and methodologies in ECLs model against the requirements of HKFRS 9; • Assessing the reasonableness of the basis and judgement of the management in determining credit loss allowance on other receivables; • Testing the key data sources applied in the ECLs computation on a sample basis by checking to the supporting information and external data sources, as applicable; and • Checking the mathematical accuracy of the ECLs. Based on the above, we considered that the significant judgments and estimates made by management in relation to the provision for loss allowance of these other receivables were supportable by the evidence obtained and procedures performed.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property management contracts and customer relationships, and goodwill *Refer to Note 4(c) "Critical accounting estimates and judgements" and Note 18 "Intangible assets" to the consolidated financial statements.* As at 31 December 2022, the Group has recognised property management contracts and customer relationships of approximately RMB242 million and goodwill of approximately RMB462 million as arisen from the Group's acquisitions of property management subsidiaries (the "subsidiaries"). For the purpose of impairment assessment, management has allocated the property management contracts and customer relationships, and goodwill to respective subsidiaries considering that each of these subsidiaries is operating and generating cash flows independently and hence was considered as an individual cash-generating unit. Management assessed the recoverable amounts of major subsidiaries with the assistance of an independent external valuer. The recoverable amounts were determined based on a value-in-use ("VIU") calculations. VIU is evaluated by discounting the cash flow projections of the relevant subsidiaries based on the approved financial budgets of the respective subsidiaries. The key assumptions as adopted in the impairment assessment mainly including (i) annual revenue growth rate, (ii) gross margin; and (iii) discount rate. We focused on auditing the impairment assessment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to subjectivity of significant assumptions and estimates used.	We have performed the following procedures to address this key audit matter: • Understanding the Group's impairment assessment process, including the impairment model, basis of allocation of goodwill to CGUs, the preparation of the cash flow projections ("Cashflow Forecasts") and key management assumptions adopted in these Cashflow Forecasts through enquiries with the management; • Challenging the appropriateness of the key assumptions adopted by the management in the Cashflow Forecasts, such as the budgeted gross margin and forecast growth rates, and discount rates applied and comparing them with available market data and our knowledge of the current market development in the PRC; and • Comparing the historical cash flows forecast against the performance of CGUs to test the accuracy of management's projections. Based on the above, we considered that the significant judgments and estimates made by management in relation to the impairment assessment of property management contracts and customer relationships, and goodwill were supportable by the evidences obtained and procedures performed.

OTHER MATTER

The consolidated financial statements for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 18 March 2022.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the "Basis for Qualified Opinion" section above, we were unable to obtain sufficient appropriate evidence to determine whether any adjustments were necessary to the Group's consolidated net assets at 31 December 2022 and the consolidated financial performance and consolidated cash flows of the Group for the years ended 31 December 2022 and 2021, and the related elements and disclosures thereof in the consolidated financial statements in respect of the matters as described. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fan, Chan & Co. Limited
Certified Public Accountants
Leung Kwong Kin
Practising Certificate Number: P03702

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	FOR THE YEAR ENDED 31 DECEMBER **2022**	2021
		RMB'000	RMB'000
Revenue	6	**3,269,905**	2,965,559
Cost of sales	6,9	**(2,500,464)**	(2,140,724)
Gross profit		**769,441**	824,835
Selling and marketing expenses	9	**(22,073)**	(22,828)
Administrative expenses	9	**(221,622)**	(286,110)
Net impairment losses on financial assets		**(483,060)**	(19,706)
Other income	7	**29,482**	35,551
Other losses, net	8	**(4,237)**	(7,180)
Operating profit		**67,931**	524,562
Finance costs	11	**(1,727)**	(1,436)
Share of results of joint ventures	13	**39,692**	31,381
Profit before income tax		**105,896**	554,507
Income tax expense	14	**(27,103)**	(113,256)
Profit for the year		**78,793**	441,251
Other comprehensive income		**—**	—
Profit and total comprehensive income for the year		**78,793**	441,251
Profit and total comprehensive income attributable to:			
Owners of the Company		**75,416**	439,020
Non-controlling interests		**3,377**	2,231
		78,793	441,251
Earnings per share for profit attributable to the owners of the Company		**RMB**	RMB
— Basic and diluted (expressed in RMB per share)	15	**0.06**	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	AS OF 31 DECEMBER 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Investment properties	16	**64,440**	—
Property, plant and equipment	17	**112,166**	23,042
Intangible assets	18	**731,649**	164,263
Right-of-use assets	19	**24,692**	24,056
Investments in joint ventures	13	**59,359**	150,671
Deferred income tax assets	29	**91,199**	19,735
		1,083,505	381,767
Current assets			
Inventories	21	**249,483**	176,209
Trade and note receivables	22	**1,063,369**	523,691
Prepayments and other receivables	23	**1,179,109**	219,606
Restricted bank deposits	24	**471**	541
Cash and cash equivalents	24	**471,702**	2,526,530
		2,964,134	3,446,577
Asset held-for-sale	13	**38,441**	—
		3,002,575	3,446,577
Total assets		**4,086,080**	3,828,344
Equity			
Share capital	25	**99,829**	99,829
Reserves		**1,367,180**	1,638,320
Retained earnings		**739,550**	664,134
Equity attributable to owners of the Company		**2,206,559**	2,402,283
Non-controlling interests		**51,100**	31,845
Total equity		**2,257,659**	2,434,128

	NOTES	AS OF 31 DECEMBER 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Trade and other payables	28	**15,805**	24,434
Lease liabilities	19	**13,392**	13,138
Deferred income tax liabilities	29	**62,859**	18,015
		92,056	55,587
Current liabilities			
Trade and other payables	28	**1,234,387**	902,455
Contract liabilities	6	**446,804**	384,229
Lease liabilities	19	**3,289**	8,000
Current tax liabilities		**51,885**	43,945
		1,736,365	1,338,629
Total liabilities		**1,828,421**	1,394,216
Total equity and liabilities		**4,086,080**	3,828,344

The consolidated financial statements on page 105 to 181 were approved and authorised for issue by the Board of Directors on 31 March 2023 and were signed on its behalf by:

Yang Deyong
Executive Director

Zhu Geying
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Share capital	Statutory reserve (Note 26)	Other reserves (Note 27)	Retained earnings	Total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021		99,829	13,108	1,690,332	225,114	2,028,383	22,922	2,051,305
Comprehensive income								
Profit for the year		–	–	–	439,020	439,020	2,231	441,251
Transactions with owners in their capacity as owners								
Non-controlling interests arising from newly established subsidiaries		–	–	–	–	–	7,145	7,145
Non-controlling interests on acquisition of a subsidiary		–	–	–	–	–	4,068	4,068
Dividends declared and paid during the year	30	–	–	(65,120)	–	(65,120)	–	(65,120)
Distribution relating to non-controlling interests		–	–	–	–	–	(4,521)	(4,521)
At 31 December 2021		99,829	13,108	1,625,212	664,134	2,402,283	31,845	2,434,128

	Note	**Attributable to owners of the Company**						
		Share capital	**Statutory reserve (Note 26)**	**Other reserves (Note 27)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2022		**99,829**	**13,108**	**1,625,212**	**664,134**	**2,402,283**	**31,845**	**2,434,128**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**75,416**	**75,416**	**3,377**	**78,793**
Transactions with owners in their capacity as owners								
Acquisition of additional interest in a subsidiary		**–**	**–**	**(4)**	**–**	**(4)**	**4**	**–**
Non-controlling interests on acquisition of subsidiaries		**–**	**–**	**–**	**–**	**–**	**16,718**	**16,718**
Dividends declared and paid during the year	30	**–**	**–**	**(271,136)**	**–**	**(271,136)**	**–**	**(271,136)**
Distribution relating to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(844)**	**(844)**
At 31 December 2022		**99,829**	**13,108**	**1,354,072**	**739,550**	**2,206,559**	**51,100**	**2,257,659**

CONSOLIDATED STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before tax	**105,896**	554,507
Adjustments for:		
Loss/(gain) on disposal of property, plant and equipment	**146**	(77)
Fair value gains on financial assets at fair value through profit or loss	**(157)**	(1,628)
Share of results in joint ventures	**(39,692)**	(31,381)
Gain on disposal of partial interest in a joint venture	**(6,913)**	—
Net impairment losses on financial assets	**483,060**	19,706
Net impairment losses on inventories	**4,714**	—
Amortisation of investment properties	**11,141**	—
Amortisation of right-of-use assets	**11,085**	10,903
Amortisation of intangible assets	**16,459**	9,558
Exchange losses	**11,161**	8,885
Depreciation of property, plant and equipment	**11,177**	8,811
Finance cost	**1,727**	1,436
Operating cash flows before movements in working capital	**609,804**	580,720
Decrease in inventories	**7,264**	33,091
Increase in trade and note receivables	**(550,075)**	(219,801)
Increase in prepayments and other receivables	**(92,168)**	(82,804)
Increase in trade and other payables	**109,428**	243,101
(Decrease)/increase in contract liabilities	**(29,893)**	56,286
Decrease/(increase) in restricted bank deposits	**70**	(203)
Cash generated from operations	**54,430**	610,390
Income tax paid	**(98,000)**	(100,651)
Net cash (used in)/generated from operating activities	**(43,570)**	509,739

	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
	RMB'000	RMB'000
Cash flows from investing activities		
Deposits paid for potential investments		
— related party	**(4,264,023)**	—
— third parties	**(1,885,000)**	(2,400,000)
Deposits refunded for potential investments		
— related party	**3,245,278**	—
— third parties	**1,790,000**	2,400,000
Purchases of financial assets at fair value through profit or loss	**(44,600)**	(943,500)
Acquisition of subsidiaries, net of cash acquired	**(486,675)**	(23,819)
Down payment for acquisition of a subsidiary	**—**	(20,150)
Purchases of property, plant and equipment	**(83,679)**	(8,814)
Purchases of investment properties	**(79,360)**	—
Purchases of intangible assets	**(14,162)**	(6,122)
Dividend received from joint ventures	**43,476**	—
Proceeds from disposal of partial interest in a joint venture	**26,000**	—
Redemption of financial assets at fair value through profit or loss	**44,757**	945,128
Proceeds from sale of property, plant and equipment	**265**	888
Net cash used in investing activities	**(1,707,723)**	(56,389)
Cash flows from financing activities		
Dividends	**(271,136)**	(65,120)
Listing expenses paid	**—**	(20,416)
Payments of lease liabilities	**(13,881)**	(13,350)
Distribution relating to non-controlling interests	**(6,977)**	(1,213)
Capital contributions from non-controlling interests	**—**	7,145
Net cash used in financing activities	**(291,994)**	(92,954)
Net (decrease)/increase in cash and cash equivalents	**(2,043,287)**	360,396
Cash and cash equivalents at beginning of the year	**2,526,530**	2,175,019
Exchange losses on cash and cash equivalents	**(11,541)**	(8,885)
Cash and cash equivalents at end of the year	**471,702**	2,526,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The Company's immediate holding company is Shine Wind Development Limited ("Shine Wind"), which was incorporated with limited liability in the British Virgin Islands ("BVI"). Its ultimate holding company is Sino-Ocean Group Holding Limited ("Sino-Ocean Group"), 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.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 31 March 2023.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3 *Reference to the Conceptual Framework*
- Amendments to HKAS 16 *Property, Plant and Equipment — Proceeds before Intended Use*
- Amendments to HKAS 37 *Onerous Contracts — Cost of Fulfilling a Contract*
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2018–2020*
- Revised Accounting Guideline 5 — *Merger Accounting for Common Control Combinations*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

New and amendments to HKFRSs in issue but not yet effective

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

	Effective for accounting periods beginning on or after
• HKFRS 17, *Insurance Contracts* (including the October 2020 and February 2022 Amendments to HKFRS 17)	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
• Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback*	1 January, 2024
• Amendments to HKAS 1, *Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)*	1 January, 2024
• Amendments to HKAS 1, *Non-current Liabilities with Covenants*	1 January, 2024
• 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
• Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*	1 January, 2023

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the HKFRSs issued by the HKICPA and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of consolidation and equity accounting

Consolidation

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any equity interest in the subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Contingent consideration is classified either as a financial asset or a financial liability. Amounts classified as a financial asset or liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(b) Business combinations under common control

The acquisitions of subsidiaries under common control have been accounted for using the merger method of accounting. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirees' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of consolidation and equity accounting (Continued)

Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method as disclosed below.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company that makes strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

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

Non-current assets held-for-sale

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Investment properties

Investment properties, principally units of office buildings, are held to earn rentals.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 13 years, with reference to the remaining useful life of trademarks on the acquisition date plus the expected useful life of trademarks after renewed.

(c) Property management contracts and customer relationships

Property management contracts and customer relationships acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts and customer relationships (7.75 to 10 years).

(d) Computer software

Acquired computer software programs are recognised on the basis of the costs incurred to acquire and bring to use the specific software. Taking into account of the continuity, the stability and simplicity of the service provided by the Group and the past experience of the actual useful life of computer software, these costs are amortised over their estimated useful lives (5 to 10 years).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Recognition and measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses, net. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses, net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other losses, net in the period in which it arises.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

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

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

Impairment on other receivables from third parties, related parties and non controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Trade and note receivables

Trade and note receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and note receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and note receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and note receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. For details of the Group's accounting for trade and note receivables and description of the Group's impairment policies, see Notes 3.1.2 and 22.

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

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

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax liabilities is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Employee benefits

(a) Short-term obligations

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(b) Pension obligations

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

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

There is no mechanism for using forfeited contributions (by employers on behalf of employees who leave the pension plans prior to vesting fully in such contributions) to reduce the Group's level of contributions to the defined contribution pension plans and no forfeited contributions were used to reduce the Group's level of contributions for the year ended 31 December 2022.

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

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

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. Benefits falling due within 12 months after the end of the reporting period are recognised in other payables.

(e) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(f) Bonus entitlements

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

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

Revenue recognition

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

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standard-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

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

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as assets and subsequently amortised when the related revenue is recognised.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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

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

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

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

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

Value-added services to non-property owners

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

Community value-added services

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income

Interest income from financial assets measured at fair value is included in the net fair value gains on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income.

Interest income is presented as other income where it is earned from financial assets that are held for cash management purposes, see Note 7 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Leases

(a) The Group as a lessee

The Group leases certain properties. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

(a) The Group as a lessee (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

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

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(b) The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

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

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

Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Going concern basis

The Group reported a net decrease in cash and cash equivalent of approximately RMB2,043 million for the year ended 31 December 2022, net cash outflow of approximately RMB44 million from operating activities, net cash outflow of approximately RMB1,707 million from investing activities and net cash outflow of approximately RMB292 million from financing activities. As at 31 December 2022, the Group's current liabilities amounted to approximately RMB1,736 million while its total cash (including cash and cash equivalents and restricted bank deposits) amounted to approximately RMB472 million. Included in current assets of the Group are trade, note and other receivables whose carrying amounts at 31 December 2022 amounted to approximately RMB2,188 million in aggregate and included balances due from the group entities or related parties of the Company's ultimate holding company, which are principally engaged in property development and property investment in the PRC, which amounted to approximately RMB1,374 million as at 31 December 2022 and accounted for 63% of the total receivables balance. As disclosed in Note 23 to the consolidated financial statements, the gross balance due from the related party relating to the refundable deposits for potential investments amounted to approximately RMB1,019 million, and approximately RMB392 million was subsequently refunded to the Group after the end of the reporting period. Up to the date of this report, approximately RMB627 million of such deposits receivable from the related party is still outstanding.

The conditions described above indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. The validity of the use of the going concern basis in the preparation of the consolidated financial statements is dependent upon the Group's ability to generate adequate cash flows in order to meet its obligations as and when the obligations fall due and the ability of the trade and other debtors, including related parties and third parties, to repay the balances due to the Group such that the Group can meet its future working capital and financing requirements.

In light of the above, the directors of the Company have carefully considered the Group's expected cash flow projections which cover a period of not less than twelve months for the twelve months ending 31 December 2023 and have been undertaking a number of measures to improve the Group's liquidity and financial position, including (i) closely monitoring the settlement status of receivables to ensure that follow-up action is taken to recover overdue debts; (ii) strengthening the internal risk control assessment of the credit quality of debtors; (iii) strengthening the internal control procedures over the payments made by the Group other than those arose in the Group's ordinary and usual course of business; and (iv) obtaining additional source of funding when necessary. Subsequent to the end of reporting period, the Group has obtained a financial support letter from its ultimate holding company, Sino-Ocean Group Holding Limited (Stock code: 03377) to enable the Group to fulfil its liabilities for the next twenty four months. In the opinion of the directors of the Company, in light of the various measures/arrangements implemented, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company consider that the preparation of the consolidated financial statements as at 31 December 2022 on a going concern basis is appropriate. Nevertheless, the validity of the going concern assumption upon which the consolidated financial statements have been prepared depends upon the successful execution of the above measures.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern basis (Continued)

Should the Group fail to achieve the intended effects resulting from the measures as above, it may be unable to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these financial statements.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 Fair value interest rate risk

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

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

As of 31 December 2022 and 2021, the Group has no floating-interests-rate interest bearing liabilities.

3.1.2 Credit risk

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

(i) Cash in banks

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Trade and note receivables

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

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

(iii) Other receivables

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

Forward-looking information incorporated in the expected credit loss model

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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

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

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

	Notes	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount 2022 RMB'000	Gross carrying amount 2021 RMB'000
Financial assets at amortised cost						
Trade and note receivables	22	—	(Note)	Lifetime ECL (not credit impaired and provision matrix)	**935,212**	566,020
			Loss	Lifetime ECL (credit impaired)	**356,615**	—
Other receivables	23	—	Doubtful	Lifetime ECL (not credit impaired	**229,064**	165,670
			Loss	Lifetime ECL (credit impaired)	**1,204,168**	2,204
Cash and cash equivalents and restricted bank deposits	24	AAA to AA+	Low risk	12-month ECL (assessed individually)	**472,173**	2,527,071

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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

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

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

As of 31 December 2022 and 2021, the loss allowance of trade and note receivables (not credit impaired) based on collective impairment assessment was determined as follows:

	Up to 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Trade and note receivables due from related parties					
At 31 December 2021					
Expected loss rate	0.32%	5.97%	17.09%	49.31%	
Gross carrying amount (RMB'000)	201,583	5,125	2,054	866	209,628
Loss allowance provision (RMB'000)	648	306	351	427	1,732
At 31 December 2022					
Expected loss rate	**2.56%**	**16.76%**	**38.59%**	**82.28%**	
Gross carrying amount (RMB'000)	**163,437**	**22,630**	**1,521**	**1,603**	**189,191**
Loss allowance provision (RMB'000)	**4,190**	**3,792**	**587**	**1,319**	**9,888**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As of 31 December 2022 and 2021, the loss allowance of trade and note receivables (not credit impaired) based on collective impairment assessment was determined as follows: (continued)

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade and note receivables due from third parties					
At 31 December 2021					
Expected loss rate	4.44%	17.95%	32.54%	99.00%	
Gross carrying amount (RMB'000)	264,822	50,197	31,791	9,582	356,392
Loss allowance provision (RMB'000)	11,756	9,010	10,345	9,486	40,597
At 31 December 2022					
Expected loss rate	**7.80%**	**22.88%**	**41.94%**	**99.00%**	
Gross carrying amount (RMB'000)	**559,259**	**102,655**	**38,649**	**45,458**	**746,021**
Loss allowance provision (RMB'000)	**43,629**	**23,487**	**16,209**	**45,003**	**128,328**

As of 31 December 2022 and 2021, the loss allowance of trade and note receivables (credit impaired) was determined as follows:

	As of 31 December					
	2022			2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance provision**	Expected loss rate	Gross carrying amount	Loss allowance provision
		RMB'000	**RMB'000**		RMB'000	RMB'000
Trade and note receivables due from related parties	**25.31%**	**356,615**	**90,242**	—	—	—

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As of 31 December 2022 and 2021, the loss allowance of other receivables (excluding prepayments) (not credit impaired) was determined as follows:

	As of 31 December					
	2022			2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance provision**	Expected loss rate	Gross carrying amount	Loss allowance provision
		RMB'000	**RMB'000**		RMB'000	RMB'000
Other receivables due from related parties	**0.52%**	**103,895**	**544**	0.03%	81,104	24
Other receivables due from third parties	**3.05%**	**125,169**	**3,815**	0.06%	84,566	50
Total		**229,064**	**4,359**		165,670	74

As of 31 December 2022 and 2021, the loss allowance of other receivables (excluding prepayments) (credit impaired) was determined as follows:

	As of 31 December					
	2022			2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance provision**	Expected loss rate	Gross carrying amount	Loss allowance provision
		RMB'000	**RMB'000**		RMB'000	RMB'000
Other receivables due from related parties	**25.31%**	**1,104,955**	**279,628**	—	—	—
Other receivables due from third parties	**23.91%**	**99,213**	**23,726**	100.00%	2,204	2,204
Total		**1,204,168**	**303,354**		2,204	2,204

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As of 31 December 2022 and 2021, the loss allowance provision for trade and note receivables and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade and note receivables			Other receivables (excluding prepayments)			
	Due from related parties	Due from third parties	Total	Due from related parties	Due from third parties	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	29	80,913	80,942	5	47	52	80,994
Provision for loss allowance recognised in profit or loss	1,703	15,708	17,411	19	2,276	2,295	19,706
Loss allowance write-off	–	(56,024)	(56,024)	–	(69)	(69)	(56,093)
At 31 December 2021	1,732	40,597	42,329	24	2,254	2,278	44,607
At 1 January 2022	**1,732**	**40,597**	**42,329**	**24**	**2,254**	**2,278**	**44,607**
Provision for loss allowance recognised in profit or loss	**98,398**	**76,949**	**175,347**	**280,148**	**27,565**	**307,713**	**483,060**
Loss allowance write-back/ (write-off)	**–**	**5,189**	**5,189**	**–**	**(2,278)**	**(2,278)**	**2,911**
Loss allowance arising from acquisition of a subsidiary	**–**	**5,593**	**5,593**	**–**	**–**	**–**	**5,593**
At 31 December 2022	**100,130**	**128,328**	**228,458**	**280,172**	**27,541**	**307,713**	**536,171**

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

As of 31 December 2022, the gross carrying amount of trade and note receivables and other receivables (excluding prepayments) was RMB2,725,059,000 (2021: RMB733,894,000), and thus the maximum exposure to loss was RMB2,188,888,000 (2021: RMB689,287,000).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is the functional currency of the group companies. Foreign currency transactions mainly included receipts of proceeds from the Listing on the Main Board of the Stock Exchange and payment of professional fees which are dominated in HK dollar ("HKD") and US dollar ("USD"). As at 31 December 2022 and 2021, major non-RMB monetary assets are cash and cash equivalents denominated in HKD and USD. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group currently does not have a foreign currency hedging policy, and manage its foreign currency risk by closely monitoring the movement of foreign currency rate.

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

	As of 31 December			
	2022		2021	
	HKD	**USD**	HKD	USD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and cash equivalents	**2,074**	**—**	20,498	730,959

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange losses included in other losses, net	**(11,161)**	(8,885)

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

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
5% increase in RMB against HKD and USD	**(104)**	(37,573)
5% decrease in RMB against HKD and USD	**104**	37,573

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.4 Liquidity risk

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contractual maturities of financial liabilities					
At 31 December 2022					
Trade and other payables (excluding payroll and welfare payables and other tax payables)	**1,099,460**	**7,225**	**8,580**	**—**	**1,115,265**
Lease liabilities	**3,626**	**7,412**	**7,652**	**814**	**19,504**
	1,103,086	**14,637**	**16,232**	**814**	**1,134,769**
At 31 December 2021					
Trade and other payables (excluding payroll and welfare payables and other tax payables)	745,710	9,607	14,663	164	770,144
Lease liabilities	8,243	4,708	8,850	2,544	24,345
	753,953	14,315	23,513	2,708	794,489

3.2 Capital management

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

As of 31 December 2022 and 2021 and the gearing ratio of the Group is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities	**16,681**	21,138
Less: cash and cash equivalents	**(471,702)**	(2,526,530)
Net cash	**(455,021)**	(2,505,392)
Total equity	**2,257,659**	2,434,128

The Group's gearing ratio was not applicable as of 31 December 2022 and 2021 due to a net cash position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Loss allowances assessment of trade and note receivables

The Group makes allowances on trade and note receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculations, based on the Group's historical observed default rates, financial position, ageing profile of receivable balances, and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and note receivables and net impairment losses on financial assets in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

The Group tests whether property management contracts and customer relationships, and goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2, where the recoverable amounts of the CGU is determined based on value-in-use (the "VIU") calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 18.

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

Property management contracts and customers relationships are recognised during major business combination, which are measured at fair value on the acquisition date. Property management contracts and customers relationships have a finite life and are carried at cost less accumulated amortisation. The directors determined the useful life of property management contracts with reference to the term of outstanding contract and the useful life of customer relationship with reference to each existing contract based on contract expiring dates, historical trend of termination or renewal rate, experience in the property management industry and to the useful life of customer relationship used by industry peers. Amortisation is calculated using the straight-line method over the expected life of 7.75–10 years. However, the actual useful life may be shorter or longer than estimate depending on acquirees' ability to secure its contracts and relationships with property developers or renew the contracts with property owners' associations in the future. Where the actual useful life is different from the original estimate, such difference will impact the carrying amount of these intangible assets and the amortisation expenses in the periods in which such estimate has been changed.

(e) Current and deferred income tax

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

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the board of directors of the Company.

During the reporting period, the Group is principally engaged in the provision of property management 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 of the Group by geographical area of operations but these operating segments are aggregated into a single operating segment as the nature of services rendered by the Group, the type of customers for services rendered by the Group, the methods used to provide their services and the nature of regulatory environment are the same in different regions in the PRC.

5. SEGMENT INFORMATION (CONTINUED)

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

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

6. 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 years ended 31 December 2022 and 2021 is as follows:

	Year ended 31 December			
	2022		2021	
	Revenue	**Cost of sales**	Revenue	Cost of sales
	RMB'000	**RMB'000**	RMB'000	RMB'000
Type of goods or services				
Property management services on residential and other non-commercial properties	**1,433,453**	**1,186,341**	1,126,331	904,047
Commercial operational and property management services on commercial properties	**529,120**	**383,836**	462,064	306,362
Community value-added services	**664,960**	**423,239**	788,835	472,340
Value-added services to non-property owners	**642,372**	**507,048**	588,329	457,975
	3,269,905	**2,500,464**	2,965,559	2,140,724
Timing of revenue recognition				
On over time basis	**2,884,518**	**2,224,685**	2,403,609	1,777,082
On point in time basis	**385,387**	**275,779**	561,950	363,642
	3,269,905	**2,500,464**	2,965,559	2,140,724

For the year ended 31 December 2022, revenue from entities controlled by Sino-Ocean Group, joint ventures and associates of Sino-Ocean Group and the shareholder of ultimate holding company of the Group contributed 21.5% (2021: 25.7%) of the Group' s revenue. Other than Sino-Ocean Group and its joint ventures, and associates and the shareholder of ultimate holding company of the Group, the Group has a large number of customers, none of whom contributed approximately 10% or more of the Group's revenue for the years ended 31 December 2022 and 2021.

6. REVENUE AND COST OF SALES (CONTINUED)

(a) Contract liabilities

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

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities		
— Related parties (Note 34(d))	**3,839**	8,288
— Third parties	**442,965**	375,941
	446,804	384,229

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management and commercial operational services	**290,232**	252,801
Community value-added services	**75,692**	75,019
Value-added services to non-property owners	**1,100**	123
	367,024	327,943

(iii) Unsatisfied performance obligations

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

6. REVENUE AND COST OF SALES (CONTINUED)

(a) Contract liabilities (Continued)

(iii) Unsatisfied performance obligations (Continued)

For sales of carpark spaces, properties, consumables and goods, included in community value-added services and value-added service to non-property owners, the performance obligation is satisfied when control of the asset is transferred to the customers. The payment is due immediately when the customer obtains the physical possession or the legal title of the carpark spaces, properties, consumables and goods. There were no remaining performance obligations unsatisfied or partially satisfied as of 31 December 2022 and 2021.

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

For the years ended 31 December 2022 and 2021, no significant incremental cost was incurred to obtain a contract.

7. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (a)	**22,957**	19,247
Interest income from bank deposits	**4,663**	15,917
Others	**1,862**	387
	29,482	35,551

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

8. OTHER LOSSES, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Fair value gains on financial assets at fair value through profit or loss	**157**	1,628
(Loss)/gain on disposal of property, plant and equipment	**(146)**	77
Gain on disposal of partial interest in a joint venture	**6,913**	—
Net foreign exchange losses	**(11,161)**	(8,885)
	(4,237)	(7,180)

9. EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	**942,950**	802,123
Outsourced security, greening and cleaning expenses	**868,851**	699,166
Maintenance expenses and utilities	**419,988**	348,436
Cost of consumables and raw materials	**129,433**	132,130
Cost of goods sold	**92,694**	115,583
Net impairment losses on inventories	**4,714**	—
Sub-contract expenses for home improvement and property agency services	**34,654**	100,009
Office-related expenses	**91,915**	96,417
Cost of selling carpark spaces	**14,969**	34,954
Depreciation and amortisation charges (Notes 16, 17, 18, 19)	**49,862**	29,272
Community activities expenses	**22,073**	20,689
Taxes and surcharges	**13,062**	14,520
Service fee related to commercial operational services	**7,333**	7,607
Auditors' remuneration	**3,620**	3,740
— Audit services	**2,480**	2,600
— Non-audit services	**1,140**	1,140
Others	**48,041**	45,016
	2,744,159	2,449,662

10. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTOR)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**691,144**	561,061
Bonuses	**31,200**	56,745
Pension costs (a)	**79,712**	62,330
Housing funds, medical insurances and other social insurance	**90,389**	78,551
Other employee benefits (b)	**50,505**	43,436
	942,950	802,123

10. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of employee salaries as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

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

(c) Five highest paid individuals

For the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group include 2 directors (2021: 2), whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining 3 individuals (2021: 3 individuals) during the year are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Basic salaries	**4,150**	4,209
Housing allowances, other allowances and benefits in kind	**242**	287
Bonuses	**2,481**	2,654
Contribution to pension scheme	**163**	158
	7,036	7,308

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2022	2021
Emolument bands (in HKD)		
2,000,001–2,500,000	**1**	2
2,500,001–3,000,000	**1**	—
3,000,001–3,500,000	**1**	—
4,500,001–5,000,000	**—**	1
	3	3

(d) During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

11. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expense for lease liabilities (Note 19(c))	**1,727**	1,436

12. SUBSIDIARIES

The Group's principal subsidiaries as of 31 December 2022 are set out below. Unless otherwise stated, the proportion of ownership interests held equals to the voting rights held by the Group

	Name of company	Place of incorporation/ kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital (In thousand)	Attributable equity interest of the Group As of 31 December		Ownership interest held by non-controlling interests As of 31 December	
					2022	2021	**2022**	2021
(1)	Harvest Team Global Limited	BVI, Limited Company	Investment holding in BVI	USD—	**100%**	100%	**–**	–
(2)	Park Star Global Limited	BVI, Limited Company	Investment holding in BVI	USD—	**100%**	100%	**–**	–
(3)	Super Lucky Investment Limited	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD—	**100%**	100%	**–**	–
(4)	Talent Bright Creation Limited	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD —	**100%**	100%	**–**	–
(5)	北京遠璟榮達企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB558,900	**100%**	100%	**–**	–
(6)	北京遠璟瑞達企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB226,900	**100%**	100%	**–**	–
(7)	北京卓遠瑞通企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB558,700	**100%**	100%	**–**	–
(8)	北京卓遠瑞合企業管理服務有限公司	The PRC, Limited Liability Company	Investment holding in Mainland of the PRC	RMB226,700	**100%**	100%	**–**	–

12. SUBSIDIARIES (CONTINUED)

	Name of company	Place of incorporation/ kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital (In thousand)	Attributable equity interest of the Group		Ownership interest held by non-controlling interests	
					As of 31 December		As of 31 December	
					2022	2021	**2022**	2021
(9)	遠洋億家物業服務股份有限公司 ("Ocean Homeplus")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB704,000	**100%**	100%	**–**	–
(10)	中遠酒店物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB12,667	**100%**	100%	**–**	–
(11)	大連遠洋基業物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**100%**	100%	**–**	–
(12)	中山遠洋物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**100%**	100%	**–**	–
(13)	北京億洋時代樓宇科技有限公司	The PRC, Limited Liability Company	Repair and maintenance services in Mainland of the PRC	RMB8,000	**100%**	100%	**–**	–
(14)	山東聯泰物業服務有限公司 ("Shandong Liantai")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**80%**	80%	**20%**	20%
(15)	遠洋億家物業服務南通有限公司("Ocean Nantong")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**60%**	60%	**40%**	40%
(16)	杭州遠洋新時代物業管理有限公司("Hangzhou New Era")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB3,000	**60%**	60%	**40%**	40%
(17)	長沙相成物業管理有限公司 ("Changsha Xiangcheng")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**60%**	60%	**40%**	40%
(18)	億雲智慧 (北京) 信息技術發展有限公司	The PRC, Limited Liability Company	Information technology in Mainland of the PRC	RMB–	**100%**	100%	**–**	–

12. SUBSIDIARIES (CONTINUED)

	Name of company	Place of incorporation/ kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital (In thousand)	Attributable equity interest of the Group As of 31 December 2022	Attributable equity interest of the Group As of 31 December 2021	Ownership interest held by non-controlling interests As of 31 December 2022	Ownership interest held by non-controlling interests As of 31 December 2021
(19)	廣東遠洵物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB2,000	**51%**	51%	**49%**	49%
(20)	鄭州遠鑫物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB—	**100%**	100%	**–**	–
(21)	石家莊億洋物業管理有限公司(a)	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB—	**–**	55%	**–**	45%
(22)	平潭億暉企業諮詢有限公司	The PRC, Limited Liability Company	Commercial operational services in Mainland of the PRC	RMB—	**100%**	100%	**–**	–
(23)	平潭億博企業諮詢有限公司	The PRC, Limited Liability Company	Commercial operational services in Mainland of the PRC	RMB—	**100%**	100%	**–**	–
(24)	浙江遠甌物業管理有限公司 (“Zhejiang Yuanou”)	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB6,675	**80%**	80%	**20%**	20%
(25)	北京應維科技服務有限公司	The PRC, Limited Liability Company	Technological development in Mainland of the PRC	RMB10,000	**51%**	51%	**49%**	49%
(26)	河南遠洋和諧物業服務有限公司(formerly known as “河南未來和諧物業服務股份有限公司”) (“Henan Hexie”)(b)	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB10,000	**51%**	–	**49%**	–
(27)	天津熙合供應鏈服務有限公司(“Tianjin Xihe”) (c)	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB—	**100%**	–	**–**	–
(28)	北京頤景融德企業管理咨询有限公司	The PRC, Limited Liability Company	Leasing and commercial services	RMB—	**100%**	–	**–**	–

12. SUBSIDIARIES (CONTINUED)

	Name of company	Place of incorporation/ kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital (In thousand)	Attributable equity interest of the Group As of 31 December 2022	Attributable equity interest of the Group As of 31 December 2021	Ownership interest held by non-controlling interests As of 31 December 2022	Ownership interest held by non-controlling interests As of 31 December 2021
(29)	上海遠擇物業管理有限公司 (formally known as "上海紅星美凱龍物業管理有限公司") ("Shanghai Far Choice")	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**100%**	–	**–**	–
(30)	福州遠擇品唯物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**60%**	–	**40%**	–
(31)	湖南紅星品唯物業服務有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB–	**80%**	–	**20%**	–
(32)	沈陽遠擇星輝物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,100	**100%**	–	**–**	–
(33)	天津遠擇星馳物業管理有限公司	The PRC, Limited Liability Company	Community services, repair and other services	RMB5,100	**100%**	–	**–**	–
(34)	烏魯木齊遠擇星馳物業服務有限公司	The PRC, Limited Liability Company	Community services, repair and other services	RMB–	**100%**	–	**–**	–
(35)	蘇州遠擇品唯物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB5,000	**100%**	–	**–**	–
(36)	西安紅星星輝物業管理有限公司	The PRC, Limited Liability Company	Property management in Mainland of the PRC	RMB–	**51%**	–	**49%**	–

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

(a) The subsidiary has been deregistered on 30 June 2022.

(b) During the year ended 31 December 2022, the Group acquired 51% equity interests of Henan Hexie from a third party (Note 33(a)).

(c) During the year ended 31 December 2022, the Group acquired 100% equity interests of Tianjin Xihe (Note 33(b)).

(d) As of 31 December 2022, the total non-controlling interests are RMB51,100,000 (2021: RMB31,845,000). No subsidiaries have non-controlling interests that are material to the Group.

13. INVESTMENTS IN JOINT VENTURES/ASSET HELD-FOR-SALE

Set forth below are the joint ventures of the Group as of 31 December 2022 and 2021 which, in the opinion of the directors, are not individually material to the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of company	Place of business/country of incorporation	% of ownership interest As of 31 December 2022	% of ownership interest As of 31 December 2021	Nature of relationship	Measurement method	Carrying amount (RMB) As of 31 December 2022	Carrying amount (RMB) As of 31 December 2021
Chengdu Qianhao Property Service Co., Ltd. 成都乾豪物業服務有限公司 ("Chengdu Qianhao")	Property management in Chengdu	**35%**	50%	Held-for-sale asset (2021: Joint venture)	Lower of carrying amount and fair value less cost to sell (2021: Equity method	**38,441,000 (Note)**	110,732,000
Beijing Best Technology Service Co., Ltd. 北京百思得科技服務有限責任公司 ("Beijing Best") (i)	Cleaning services in Beijing	**30%**	30%	Joint venture	Equity method	**21,907,000**	21,686,000
Beijing Indigo Property Service Co., Ltd. 北京頤堤港物業服務有限公司 ("Beijing Indigo")	Property management in Beijing	**50%**	50%	Joint venture	Equity method	**27,282,000**	13,030,000
Chongqing Tengji Property Management Co., Ltd. 重慶騰基物業管理有限公司 ("Chongqing Tengji") (i)	Property management in Chongqing	**49%**	49%	Joint venture	Equity method	**10,170,000**	5,223,000

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

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

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

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
At beginning of year	**150,671**	119,290
Share of profit from investments in joint ventures	**39,692**	31,381
Dividend declared	**(73,476)**	—
Disposal of partial interest in a joint venture (Note)	**(19,087)**	—
	97,800	150,671
Reclassified as asset held-for-sale (Note)	**(38,441)**	—
At end of year	**59,359**	150,671

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

Note:

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

As of 31 December 2022 and 2021, there were no significant contingent liabilities or commitments relating to the Group's interests in the joint ventures. The summarized financial information of the individually immaterial joint ventures on an aggregate basis is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Carrying amounts in the consolidated financial statements	**59,359**	150,671
Share of results	**39,692**	31,381
Share of total comprehensive income	**39,692**	31,381

14. INCOME TAX EXPENSE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax — current tax	**104,691**	109,997
— PRC corporate income tax — (over)/under provision in prior years	**(6,386)**	1,362
— PRC land appreciation tax	**3,480**	5,181
Deferred income tax credit (Note 29)	**(74,682)**	(3,284)
	27,103	113,256

14. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before tax	**105,896**	554,507
Adjust for:		
Share of results of joint ventures	**(39,692)**	(31,381)
	66,204	523,126
Tax calculated at a tax rate of 25%	**16,551**	130,782
Tax effects of:		
Income not subject to tax	**—**	(3,267)
Effect of higher tax rate for the appreciation of land in the PRC	**2,941**	3,886
Expenses not deductible for tax purposes	**1,532**	3,642
Tax losses not recognised	**246**	1,465
(Over)/under provision in prior years	**(6,386)**	1,362
Differences in tax rate	**12,077**	(23,990)
Others	**142**	(624)
Tax charge for the year	**27,103**	113,256

The effective income tax rate was 23% (2021: 20%) for the year ended 31 December 2022.

(a) Cayman Islands income tax

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

(b) Hong Kong profit tax

No provision for Hong Kong profit tax was made as the Group did not have assessable income subject to Hong Kong profit tax for the years ended 31 December 2022 and 2021.

(c) PRC corporate income tax

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

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

14. INCOME TAX EXPENSE (CONTINUED)

(d) PRC land appreciation tax ("LAT")

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

(e) PRC withholding income tax

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

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

15. 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 (2021: 1,184,000,000) in issue during the year.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company used in the basic earnings per share calculation (RMB'000)	**75,416**	439,020
Weighted average number of ordinary shares in issue (in thousands)	**1,184,000**	1,184,000
Basic and diluted earnings per share for profit attributable to the owners of the Company during the year (expressed in RMB per share)	**0.06**	0.37

For the years ended 31 December 2022 and 2021, diluted earnings per share was equal to the basic earnings per share as there were no potential ordinary shares.

16. INVESTMENT PROPERTIES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Opening net book amount	**—**	85,496
Additions (i)	**75,581**	—
Depreciation charged for the year	**(11,141)**	—
Transfer to inventories (ii)	**—**	(85,496)
Closing net book amount	**64,440**	—

Amounts recognized in profit or loss for investment properties

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rental income	**9,457**	2,316
Direct operating expenses	**—**	(942)

(i) The investment properties are leased to independent third parties. The investment properties are situated on land in PRC.

(ii) The carpark spaces with the carrying amounts of RMB85,496,000 were transferred to inventories upon the change in use of the properties such that the properties were no longer held by the Group to earn rentals or for capital appreciation. The transfers were made upon the commencement of selling the car park spaces during the year ended 31 December 2021.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Office and operating equipment	Vehicles	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2021	639	41,228	5,080	23,535	70,482
Additions	2,776	8,633	—	181	11,590
Acquisition of a subsidiary (Note 33)	—	1,348	—	—	1,348
Disposals	(639)	(1,197)	(468)	(3,069)	(5,373)
At 31 December 2021 and 1 January 2022	**2,776**	**50,012**	**4,612**	**20,647**	**78,047**
Additions	**73,245**	**5,223**	**217**	**8,620**	**87,305**
Acquisition of subsidiaries (Note 33)	**11,072**	**1,849**	**486**	**—**	**13,407**
Disposals	**—**	**(2,529)**	**(227)**	**(164)**	**(2,920)**
At 31 December 2022	**87,093**	**54,555**	**5,088**	**29,103**	**175,839**
ACCUMULATED DEPRECIATION					
At 1 January 2021	69	29,510	2,230	18,452	50,261
Provided for the year	54	5,677	623	2,457	8,811
Acquisition of a subsidiary (Note 33)	—	495	—	—	495
Disposals	(77)	(1,097)	(319)	(3,069)	(4,562)
At 31 December 2021 and 1 January 2022	**46**	**34,585**	**2,534**	**17,840**	**55,005**
Provided for the year	**879**	**6,197**	**690**	**3,411**	**11,177**
Disposals	**—**	**(2,191)**	**(217)**	**(101)**	**(2,509)**
At 31 December 2022	**925**	**38,591**	**3,007**	**21,150**	**63,673**
CARRYING VALUES					
At 31 December 2022	**86,168**	**15,964**	**2,081**	**7,953**	**112,166**
At 31 December 2021	2,730	15,427	2,078	2,807	23,042

As at 31 December 2022, leasehold land and buildings with remaining lease period of 30 to 50 years and net carrying amount of RMB86,168,000 (2021: RMB2,730,000) include both leasehold land and building elements of properties. The consideration paid by the Group for the acquisition of these properties could not be allocated reliably between the non-lease building element and undivided interest in the underlying leasehold land, hence the balances of the entire properties are classified as property, plant and equipment.

The buildings are situated in the PRC, and are for own use under medium-term lease.

No property, plant and equipment is restricted or pledged as security for liabilities as of 31 December 2022 and 2021.

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of sales and services	**7,434**	6,120
Administrative expenses	**3,743**	2,691
	11,177	8,811

18. INTANGIBLE ASSETS

	Computer software	Trademark	Property management contracts	Customer relationships	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January, 2021	19,462	2,975	39,213	12,112	54,804	128,566
Additions	6,122	—	—	—	—	6,122
Acquisition of a subsidiary (Note 33)	118	—	2,530	20,190	37,828	60,666
At 31 December 2021, and 1 January 2022	**25,702**	**2,975**	**41,743**	**32,302**	**92,632**	**195,354**
Additions	**11,088**	**—**	**—**	**—**	**—**	**11,088**
Acquisition of subsidiaries (Note 33)	**—**	**—**	**44,680**	**158,330**	**369,747**	**572,757**
At 31 December 2022	**36,790**	**2,975**	**86,423**	**190,632**	**462,379**	**779,199**
ACCUMULATED AMORTISATION						
At 1 January, 2021	5,111	630	12,461	3,331	—	21,533
Charge for the year	2,640	229	4,637	2,052	—	9,558
At 31 December 2021 and 1 January 2022	**7,751**	**859**	**17,098**	**5,383**	**—**	**31,091**
Charge for the year	**3,954**	**229**	**5,595**	**6,681**	**—**	**16,459**
At 31 December 2022	**11,705**	**1,088**	**22,693**	**12,064**	**—**	**47,550**
CARRYING VALUES						
At 31 December 2022	**25,085**	**1,887**	**63,730**	**178,568**	**462,379**	**731,649**
At 31 December 2021	17,951	2,116	24,645	26,919	92,632	164,263

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of sales and services	**107**	90
Administrative expenses	**16,352**	9,468
	16,459	9,558

(a) No intangible assets are restricted or pledged as security for liabilities as of 31 December 2022 and 2021.

(b) Goodwill arising from acquisition of subsidiaries.

18. INTANGIBLE ASSETS (CONTINUED)

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Tianjin Xihe	**352,435**	—
Zhejiang Yuanou	**37,828**	37,828
Changsha Xiangcheng	**27,336**	27,336
Shandong Liantai	**25,961**	25,961
Henan Hexie	**17,312**	—
Hangzhou New Era	**1,048**	1,048
Ocean Nantong	**459**	459
	462,379	92,632

Independent valuations were performed by an independent valuer, Cushman & Wakefield, to determine the fair values of the property management contracts and customer relationships arising from the acquisition of Tianjin Xihe and Henan Hexie. Methods and key assumptions in determining the fair value of the property management contracts and customer relationships are disclosed as follows:

	Valuation technique	**Discount rate**	**Expected life of the intangible assets**
Property management contracts	Multi-period excess earning method	13%	10 years
Customer relationships	Multi-period excess earning method	13.5%	10 years

18. INTANGIBLE ASSETS (CONTINUED)

As of 31 December 2022, the management performed an impairment assessment on the goodwill. The recoverable amounts of the CGUs of the property management business operated by Tianjin Xihe, Changsha Xiangcheng, Shandong Liantai, Zhejiang Yuanou and Henan Hexie have been assessed by an independent valuer, Cushman & Wakefield, and determined based on the VIU calculations. The VIU calculations used cash flow projections based on financial budgets covering a five-year periods approved by the management.

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

	Tianjin Xihe	**Changsha Xiangcheng**	**Shandong Liantai**	**Zhejiang Yuanou**	**Henan Hexie**
Revenue 2023 (% annual growth rate)	1.7%	29.0%	19.0%	3.0%	6.0%
Revenue 2024 (% annual growth rate)	6.7%	3.0%	3.0%	3.0%	5.0%
Revenue 2025 to 2027 (% annual growth rate)	2.2%	3.0%	3.0%	3.0%	3.0%
Gross margin (% of revenue)	22.0%	18.0%	9.0%	16.0%	21.0%
Discount rate	13.0%	13.0%	13.0%	13.0%	13.0%
Selling and marketing expenses (% growth rate)	2.2%–11.5%	0%	3.0%	0.5%	3.0%–53.8%
Administrative expenses (% growth rate)	−59.1%–2.2%	−2.1%–0.8%	−6.1%–29.1%	1.5%–25.5%	3.0%–53.0%
Terminal cash flow growth rate	2.2%	2.2%	2.2%	2.2%	2.2%

The following table sets forth each key assumption at 31 December 2021, used in assessing the recoverable amounts of the CGUs in the property management business that have significant goodwill.

	Changsha Xiangcheng	**Shandong Liantai**	**Zhejiang Yuanou**
Revenue 2022 (% annual growth rate)	7.0%	3.0%	5.0%
Revenue 2023 (% annual growth rate)	5.0%	3.0%	4.0%
Revenue 2024 to 2026(% annual growth rate)	3.0%–4.0%	3.0%	3.0%
Gross margin (% of revenue)	18.5%	11.5%	15.5%
Discount rate	13.0%	13.0%	13.0%
Selling and marketing expenses (% growth rate)	0%	2.1%–86.7%	−8.4%–3.0%
Administrative expenses (% growth rate)	1.7%–3.4%	−85.2%–3.5%	−26.5%–4.0%
Terminal cash flow growth rate	2.2%	2.2%	2.2%

18. INTANGIBLE ASSETS (CONTINUED)

As of 31 December 2022, the recoverable amounts of RMB821,596,000 (2021: RMB186,805,000) of the CGUs in the property management business calculated based on VIU calculations exceeded their aggregate carrying amounts of RMB792,670,000 (2021: RMB171,098,000) by RMB28,926,000 (2021: RMB15,707,000).

Details of the headroom attributable to the CGUs in the property management business with significant goodwill as of 31 December 2022 and 2021 are set out as follows:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Tianjin Xihe	**6,188**	—
Changsha Xiangcheng	**799**	4,173
Shandong Liantai	**4,131**	8,501
Zhejiang Yuanou	**5,724**	3,033
Henan Hexie	**12,084**	—

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth the reasonably possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom respectively as of 31 December 2022 and 2021.

	Tianjin Xihe	**Changsha Xiangcheng**	**Shandong Liantai**	**Zhejiang Yuanou**	**Henan Hexie**
As of 31 December 2022					
Annual revenue growth rate	**−0.1%**	**−0.4%**	**−2.2%**	**−2.1%**	**−6.1%**
Discount rate	**+0.1%**	**+0.2%**	**+1.01%**	**+0.9%**	**+4.0%**
Gross margins	**21.8%**	**18.0%**	**9.0%**	**15.5%**	**20.4%**
Terminal cash flow growth rate	**2.2%**	**2.2%**	**2.2%**	**2.2%**	**2.2%**
As of 31 December 2021					
Annual revenue growth rate	—	−1.7%	−4.1%	−1.1%	—
Discount rate	—	+1.0%	+2.1%	+0.5%	—
Gross margins	—	18.5%	11.5%	15.5%	—
Terminal cash flow growth rate	—	2.2%	2.2%	2.2%	—

By reference to the recoverable amount assessed by the independent valuer as of 31 December 2022, the directors of the Company determined that no impairment provision on goodwill asset was required as of 31 December 2022 (2021: nil).

19. LEASES

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

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

Right-of-use assets	Buildings	Parking lots	Vehicles	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2021	21,328	3,754	263	222	25,567
Additions	15,307	4,466	—	—	19,773
Disposals	—	—	—	(31)	(31)
At 31 December 2021 and 1 January 2022	**36,635**	**8,220**	**263**	**191**	**45,309**
Additions	**11,519**	**202**	**—**	**—**	**11,721**
At 31 December 2022	**48,154**	**8,422**	**263**	**191**	**57,030**
ACCUMULATED DEPRECIATION					
At 1 January 2021	7,418	2,892	13	27	10,350
Provided for the year	8,821	1,930	89	63	10,903
At 31 December 2021 and 1 January 2022	**16,239**	**4,822**	**102**	**90**	**21,253**
Provided for the year	**8,874**	**2,059**	**88**	**64**	**11,085**
At 31 December 2022	**25,113**	**6,881**	**190**	**154**	**32,338**
CARRYING VALUES					
At 31 December 2022	**23,041**	**1,541**	**73**	**37**	**24,692**
At 31 December 2021	20,396	3,398	161	101	24,056

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities		
Current	**3,289**	8,000
Non-current	**13,392**	13,138
	16,681	21,138

19. LEASES (CONTINUED)

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Buildings	**8,874**	8,821
Parking lots	**2,059**	1,930
Vehicles	**88**	89
Equipment	**64**	63
	11,085	10,903
Interest expense (Note 11)	**1,727**	1,436

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cash flows from financing activities		
Payments of interest element of lease liabilities	**1,727**	1,436
Payments of principal element of lease liabilities	**12,154**	11,914
	13,881	13,350

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

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

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

20. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade and note receivables	**1,063,369**	523,691
Other receivables (excluding prepayments)	**1,125,519**	165,596
Restricted bank deposits	**471**	541
Cash and cash equivalents	**471,702**	2,526,530
	2,661,061	3,216,358
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables (excluding payroll and welfare payables and other tax payables)	**1,115,265**	770,144
Lease liabilities	**16,681**	21,138
	1,131,946	791,282

21. INVENTORIES

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Carpark spaces	**222,153**	157,640
Properties held for sale	**24,513**	12,976
Consumables and goods	**2,817**	5,593
	249,483	176,209

22. TRADE AND NOTE RECEIVABLES

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
— related parties (Note 34(d))	**545,806**	209,628
— third parties	**746,021**	356,157
	1,291,827	565,785
Note receivables		
— third parties	**—**	235
Less: allowance for impairment of trade and note receivables	**(228,458)**	(42,329)
	1,063,369	523,691

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

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

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

As of 31 December 2022 and 2021, the aging analysis of the trade and note receivables based on the invoice date, were as follows:

	As of 31 December 2022			As of 31 December 2021		
	Due from related parties	**Due from third parties**	**Total**	Due from related parties	Due from third parties	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
0–90 days	**181,257**	**299,651**	**480,908**	141,027	148,739	289,766
91–180 days	**87,644**	**116,071**	**203,715**	24,289	55,104	79,393
181–360 days	**182,696**	**143,537**	**326,233**	36,267	60,979	97,246
1–2 years	**85,520**	**102,655**	**188,175**	5,125	50,197	55,322
2–3 years	**7,037**	**38,649**	**45,686**	2,054	31,791	33,845
Over 3 years	**1,652**	**45,458**	**47,110**	866	9,582	10,448
Total	**545,806**	**746,021**	**1,291,827**	209,628	356,392	566,020

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As of 31 December 2022, a provision of RMB228,458,000 (2021: RMB42,329,000) was provided against the gross amounts of trade and note receivables (Note 3.1.2).

As of 31 December 2022 and 2021, the trade and note receivables were denominated in RMB, and the fair value of trade and note receivables approximated their carrying amounts.

23. PREPAYMENTS AND OTHER RECEIVABLES

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments to suppliers		
— Related parties (Note 34(d))	**8,112**	216
— Third parties	**35,173**	32,992
	43,285	33,208
Prepayment for acquisition of a subsidiary	**—**	20,150
	43,285	53,358
Other receivables		
— Related parties (Note 34(d))	**160,105**	81,104
— Dividend receivable from a related party (Note 34(d))	**30,000**	—
— Payments on behalf of property owners	**62,081**	49,438
— Deposits	**28,909**	19,845
— Refundable deposits (i)		
— Related party (Note 34(d))	**1,018,745**	—
— Third parties	**95,000**	—
— Others	**38,392**	17,487
	1,433,232	167,874
Less: allowance for impairment of other receivables	**(307,713)**	(2,278)
	1,125,519	165,596
Prepaid tax	**10,305**	652
	1,179,109	219,606

(i) During the year ended 31 December 2022, the Group has made various refundable deposits for potential investments. Approximately RMB472,395,000 was subsequently refunded to the Group after the end of the reporting period. As of 31 December, 2022, the net carrying amounts of refundable deposits receivables due from a related party and third parties, after recognition of expected credit loss, amounted to approximately RMB760,939,000 and RMB74,251,000 respectively.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Cash on hand	**146**	31
Bank deposits (a)	**472,027**	2,527,040
	472,173	2,527,071
Less: Restricted bank deposits (b)	**(471)**	(541)
Cash and cash equivalents	**471,702**	2,526,530

24. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS (CONTINUED)

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

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**469,953**	1,775,583
HKD	**2,074**	20,498
USD	**—**	730,959
	472,027	2,527,040

(b) As of 31 December 2022 and 2021, restricted bank deposits mainly consisted of the deposits made as performance security for certain contracts relating to the maintenance projects and the bid deposits of property management projects, which is required by relevant local government authorities for bidding for property management projects. The relevant deposits will be refunded at the end of the property management service period.

25. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 15 April 2020. As of 31 December 2022, the issued shares was 1,184,000,000 (2021: 1,184,000,000) shares of a par value of HKD0.1 each.

	Number of shares	**Share capital**	**Share capital**
		HKD'000	**RMB'000**
Issued and fully paid:			
As of 1 January 2021, 31 December 2021 and 31 December 2022	**1,184,000,000**	**118,400**	**99,829**

26. STATUTORY RESERVE

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

27. OTHER RESERVES

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

28. TRADE AND OTHER PAYABLES

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables		
— Related parties (Note 34(d))	**51,990**	29,215
— Third parties	**663,882**	415,102
	715,872	444,317
Other payables		
— Related parties (Note 34(d))	**18,163**	32,042
— Deposits	**176,865**	132,419
— Amounts collected on behalf of property owners	**167,836**	100,845
— Consideration payable for acquisition of a subsidiary	**17,160**	28,600
— Others	**18,049**	24,468
	398,073	318,374
Dividends payable		
— Non-controlling shareholders	**1,320**	7,453
Accrued payroll and welfare payables	**125,683**	140,015
Other taxes payables	**9,244**	16,730
	134,927	156,745
Less: non-current portion	**(15,805)**	(24,434)
Total	**1,234,387**	902,455

As of 31 December 2022 and 2021, the carrying amounts of trade and other payables approximated their fair values. The average credit period on trade payables is 90 days.

28. TRADE AND OTHER PAYABLES (CONTINUED)

As of 31 December 2022 and 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 of 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**619,776**	406,713
1–2 years	**70,975**	28,862
2–3 years	**16,379**	5,866
Over 3 years	**8,742**	2,876
Total	**715,872**	444,317

29. DEFERRED INCOME TAX

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

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets:		
—Deferred tax asset to be realised after more than 12 months	**90,875**	19,515
—Deferred tax asset to be realised within 12 months	**324**	220
	91,199	19,735
Deferred tax liabilities:		
—Deferred tax liability to be settled after more than 12 months	**(60,031)**	(16,584)
—Deferred tax liability to be settled within 12 months	**(2,828)**	(1,431)
	(62,859)	(18,015)
	28,340	1,720

29. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the years of 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets — allowance on doubtful debts	Deferred tax assets — accrued expenses	Deferred tax assets — unrealized gains	Deferred tax assets — net impact of right-of-use assets and lease liabilities	Deferred tax assets — net impact of inventories	Deferred tax assets — accumulated losses	Deferred tax liabilities — investment properties revaluation	Deferred tax liabilities — excess of value of intangible assets identified in business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2021	19,693	2,650	143	181	–	–	(10,975)	(7,576)	4,116
Credited/(charged) to income tax expense	2,023	–	(61)	39	–	–	(148)	1,431	3,284
Acquisition	–	–	–	–	–	–	–	(5,680)	(5,680)
As of 31 December 2021	21,716	2,650	82	220	–	–	(11,123)	(11,825)	1,720
As of 1 January 2022	**21,716**	**2,650**	**82**	**220**	**–**	**–**	**(11,123)**	**(11,825)**	**1,720**
Credited/(charged) to income tax expense	**71,111**	**–**	**(82)**	**104**	**707**	**14**	**–**	**2,828**	**74,682**
Acquisition	**1,321**	**–**	**–**	**–**	**1,370**	**–**	**–**	**(50,753)**	**(48,062)**
As of 31 December 2022	**94,148**	**2,650**	**–**	**324**	**2,077**	**14**	**(11,123)**	**(59,750)**	**28,340**

At the end of the reporting period, the Group has unused tax losses of approximately RMB1,222,000 (2021: RMB12,801,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB56,000 (2021: RMBnil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. These unrecognised tax losses will expire in various dates up to 2027 (2021: 2026).

As of 31 December 2022, deferred income tax liabilities have not been recognised for the withholding tax that would be payable upon remittance, in respect of the unremitted distributable profits of certain PRC subsidiaries amounting to RMB789,544,000 (2021: RMB597,829,000) attributable to the investors outside the PRC as such profits are intended to be reinvested in the PRC.

30. DIVIDENDS

Dividends in respect of the financial years were as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Declared interim dividend of RMB0.136 (2021: RMBnil) per ordinary share (a)	**161,024**	—
Proposed final dividend of RMB0.123 (2021: RMB0.093) per ordinary share (b)	**145,632**	110,112
	306,656	110,112

(a) On 30 August 2022, the Company declared an interim dividend amounting to and aggregate of RMB161,024,000 for the year ended 31 December 2022.

(b) On 31 March 2023, the Company proposed a final dividend of RMB145,632,000 for the year ended 31 December 2022.

(c) During the year of 2022, the Group declared and paid dividends with aggregated amounts of RMB271,136,000 (2021: RMB65,120,000) to the Company's shareholders.

31. CASH GENERATED FROM OPERATIONS

(a) Net debt reconciliation

This section sets out an analysis of net debt and the movement in net debt for the years of 2022 and 2021.

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents	**471,702**	2,526,530
Lease liabilities	**(16,681)**	(21,138)
Net cash	**455,021**	2,505,392

	Cash and cash equivalents	**Lease liabilities**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Net cash at 1 January, 2021	2,175,019	(12,731)	2,162,288
Addition of lease liabilities	—	(20,321)	(20,321)
Accrued interest expenses	—	(1,436)	(1,436)
Foreign exchanges	(8,885)	—	(8,885)
Cash flows	360,396	13,350	373,746
Net cash as of 31 December 2021	2,526,530	(21,138)	2,505,392
Net cash at 1 January 2022	**2,526,530**	**(21,138)**	**2,505,392**
Addition of lease liabilities	**—**	**(7,697)**	**(7,697)**
Accrued interest expenses	**—**	**(1,727)**	**(1,727)**
Foreign exchanges	**(11,541)**	**—**	**(11,541)**
Cash flows	**(2,043,287)**	**13,881**	**(2,029,406)**
Net cash as of 31 December 2022	**471,702**	**(16,681)**	**455,021**

32. COMMITMENTS

(a) Operating lease rental receivables

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

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**263**	450
Between 1 and 2 years	**—**	263
	263	713

(b) Capital Commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Consideration for acquisition of subsidiaries which has not been completed as of 31 December	**—**	61,200

33. BUSINESS COMBINATION

(a) Henan Hexie

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

The acquired business of Henan Hexie contributed total revenue of RMB37,705,000 and net profit of RMB5,557,000 to the Group for the period from its acquisition date to 31 December 2022.

	At the date of acquisition
	RMB'000
Consideration paid	
— in current year	11,200
— in previous year	20,150
	31,350
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4,627
Inventories	31,900
Property, plant and equipment	498
Intangible assets	10,540
Trade and note receivables	16,733
Deferred tax assets	1,370
Prepayments and other receivables	452
Trade and other payables	(18,267)
Current income tax liabilities	(252)
Contract liabilities	(17,440)
Deferred tax liabilities	(2,635)
Total identifiable net assets	27,526
Less: non-controlling interests (49% share of identifiable net assets)	(13,488)
Net assets acquired	14,038
Goodwill	17,312

33. BUSINESS COMBINATION (CONTINUED)

(a) Henan Hexie (Continued)

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

Acquisition related cost amounting to RMBnil.

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

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

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

(b) Tianjin Xihe

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

The acquired business of Tianjin Xihe contributed total revenue of RMB77,160,000 and net profit of RMB10,069,000 to the Group for the period from its acquisition date to 31 December 2022.

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

33. BUSINESS COMBINATION (CONTINUED)

(b) Tianjin Xihe (Continued)

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

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

Acquisition related cost amounting to RMBnil.

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

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

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

33. BUSINESS COMBINATION (CONTINUED)

(c) Zhejiang Yuanou

On 31 July 2021, the Group completed its acquisition of 80% the equity interests in Zhejiang Yuanou at a consideration of RMB54,100,000 from a third party. Total identifiable net assets of Zhejiang Yuanou amounted to RMB20,340,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

The acquired business of Zhejiang Yuanou contributed total revenue of RMB23,334,000 and net profit of RMB1,801,000 to the Group for the period from its acquisition date to 31 December 2021.

If Zhejiang Yuanou had been consolidated from 1 January 2021, the consolidated statement of comprehensive income for the year ended 31 December 2021 would show pro-forma revenue of RMB3,003,783,000 and profit of RMB445,622,000.

	At the date of acquisition
	RMB'000
Consideration	
— Cash paid	25,500
— Other payables	28,600
	54,100
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,681
Inventories	137
Property, plant and equipment	853
Intangible assets	22,838
Trade and note receivables	8,907
Prepayments and other receivables	1,331
Current income tax liabilities	(9,691)
Contract liabilities	(36)
Deferred tax liabilities	(5,680)
Total identifiable net assets	20,340
Less: non-controlling interests	(4,068)
Net assets acquired	16,272
Goodwill	37,828

Goodwill of RMB37,828,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

Net cash outflow arising on acquisition during the year ended 31 December 2021:

	RMB'000
Cash consideration paid	(25,500)
Cash and cash equivalents acquired at the acquisition date	1,681
Net cash outflow on the acquisition	(23,819)

34. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

	Name	Relationship
(1)	Sino-Ocean Group 遠洋集團控股有限公司	Ultimate holding company
(2)	Dajia Insurance Group Company Limited 大家保險集團有限責任公司	Shareholder of the ultimate holding company of the Group
(3)	Shine Wind 耀勝發展有限公司	Intermediate holding company
(4)	Beijing Best 北京百思得科技服務有限責任公司	Joint venture
(5)	Chongqing Tengji 重慶騰基物業管理有限公司	Joint venture

(b) Transactions with related parties

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from provision of services		
— A joint venture	**722**	389
— Entities controlled by the ultimate holding company	**401,546**	435,410
— Entities over which the ultimate holding company has significant influence or joint control	**280,356**	294,646
— A shareholder of the ultimate holding company of the Group	**21,681**	32,826
	704,305	763,271
Purchases of goods and services		
— A joint venture	**116,487**	120,921
— Entities controlled by the ultimate holding company	**40,150**	10,336
— Entities over which the ultimate holding company has significant influence or joint control	**22,718**	5,737
— A shareholder of the ultimate holding company of the Group	**—**	97
	179,355	137,091
Recognition of investment properties on leased assets		
—An entity controlled by the ultimate holding company	**75,581**	—
Recognition of right-of-use assets		
—An entity controlled by the ultimate holding company	**34**	10,487
Interest expense for lease liabilities		
— Entities controlled by the ultimate holding company	**1,074**	587
— Entities over which the ultimate holding company has significant influence and joint control	**46**	53
	1,120	640

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Deposits payable to entities controlled by the ultimate holding company		
At 1 January	**54,445**	—
Amounts advanced during the year	**70,386**	66,390
Repayments during the year	**(6,364)**	(11,945)
At 31 December	**118,467**	54,445
Deposits payable to entities over which the ultimate holding company has significant influence or joint control		
At 1 January	**16,636**	—
Amounts advanced during the year	**7,742**	16,636
Repayments during the year	**(5,010)**	—
At 31 December	**19,368**	16,636
Acquisition of 100% of the equity interest in Tianjin Xihe		
— An entity controlled by the ultimate holding company	**250,000**	—
— An entity over which the ultimate holding company has significant influence	**250,000**	—

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the counterparties.

(c) Key management compensation

Compensations for key management personnel and directors are set forth below.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, bonuses and other benefits	**13,788**	11,751

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties

	As of 31 December			
	Gross carrying amount	**Carrying amount**	Gross carrying amount	Carrying amount
	2022	**2022**	2021	2021
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and note receivables				
— A joint venture	**—**	**—**	3	3
— Entities controlled by the ultimate holding company	**356,615**	**266,373**	90,687	89,734
— Entities over which the ultimate holding company has significant influence or joint control	**188,681**	**178,806**	117,992	117,216
— A shareholder of the ultimate holding company of the Group	**510**	**497**	946	943
	545,806	**445,676**	209,628	207,896
Other receivables				
— A joint venture	**30**	**30**	398	398
— Entities controlled by the ultimate holding company	**1,158,029**	**878,114**	61,442	61,424
— Entities over which the ultimate holding company has significant influence and joint control	**50,791**	**50,534**	19,264	19,258
	1,208,850	**928,678**	81,104	81,080

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments		
— Entities controlled by the ultimate holding company	**8,112**	216
Trade payables		
— A joint venture	**39,669**	24,150
— Entities controlled by the ultimate holding company	**5,224**	4,638
— Entities over which the ultimate holding company has significant influence or joint control	**7,097**	325
— A shareholder of the ultimate holding company of the Group	**—**	102
	51,990	29,215
Other payables		
— A joint venture	**—**	25
— Entities controlled by the ultimate holding company	**9,672**	21,997
— Entities over which the ultimate holding company has significant influence and joint control	**8,491**	10,020
	18,163	32,042

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (Continued)

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities		
— A joint venture	**13**	4
— Entities controlled by the ultimate holding company	**3,300**	1,929
— Entities over which the ultimate holding company has significant influence or joint control	**526**	2,270
— A shareholder of the ultimate holding company of the Group	**—**	4,085
	3,839	8,288
Lease liabilities		
— Entities controlled by the ultimate holding company	**9,339**	12,109
— Entities over which the ultimate holding company has significant influence and joint control	**632**	836
	9,971	12,945

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

Statement of financial position of the Company:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	**—***	—*
Prepayment and other receivables	**1,355,722**	770,086
Total non-current assets	**1,355,722**	770,086
Current assets		
Prepayments and other receivables	**99**	198
Cash and cash equivalents	**10,634**	1,051,548
Total current assets	**10,733**	1,051,746
Total assets	**1,366,455**	1,821,832
Equity		
Share capital (note 25)	**99,829**	99,829
Reserves (a)	**1,316,509**	1,587,645
Accumulated losses (a)	**(50,503)**	(33,648)
Total equity	**1,365,835**	1,653,826
Liabilities		
Non-current liability		
Trade and other payables	**—**	167,047
Current liabilities		
Trade and other payables	**620**	959
Total liabilities	**620**	168,006
Total equity and liabilities	**1,366,455**	1,821,832

* Less than RMB1,000

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 31 March 2023 and was signed on its behalf by:

Yang Deyong
Executive Director

Zhu Geying
Executive Director

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

(a) Reserve movement of the Company

	Accumulated losses	Other reserves
	RMB'000	**RMB'000**
At 1 January 2021	(19,671)	1,652,765
Loss for the year	(13,977)	—
Dividends	—	(65,120)
At 31 December 2021	(33,648)	1,587,645
At 1 January 2022	**(33,648)**	**1,587,645**
Loss for the year	**(16,855)**	**—**
Dividends	**—**	**(271,136)**
At 31 December 2022	**(50,503)**	**1,316,509**

36. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

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

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking

	Salaries	Bonuses	Fees	Housing allowance	Contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Yang Deyong (Chief Executive Officer and Joint Chairman)	1,620	1,555	–	36	57	63	3,331
Zhu Geying	900	840	–	35	58	54	1,887
Non-executive Directors							
Cui Hongjie (Joint Chairman)	–	–	–	–	–	–	–
Zhu Xiaoxing	–	–	–	–	–	–	–
Independent Non-executive Directors							
Guo Jie	–	–	366	–	–	–	366
Xue Jun (note (i))	–	–	147	–	–	–	147
Zhu Lin (note (i))	–	–	147	–	–	–	147
Ho Chi Kin Sammy (note (ii))	–	–	222	–	–	–	222
Leung Wai Hung (note (ii))	–	–	220	–	–	–	220
	2,520	2,395	1,102	71	115	117	6,320

36. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2021 is set forth below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							
	Salaries	Bonuses	Fees	Housing allowance	Contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Yang Deyong (Chief Executive Officer and Joint Chairman)	1,620	2,016	–	40	53	62	3,791
Zhu Geying	900	815	–	40	53	47	1,855
Non-executive Directors							
Cui Hongjie (Joint Chairman)	–	–	–	–	–	–	–
Zhu Xiaoxing	–	–	–	–	–	–	–
Independent Non-executive Directors							
Guo Jie	–	–	250	–	–	–	250
Xue Jun	–	–	250	–	–	–	250
Zhu Lin	–	–	250	–	–	–	250
	2,520	2,831	750	80	106	109	6,396

Notes:

(i) In August 2022, Dr. Xue Jun and Mr. Zhu Lin were resigned as independent non-executive directors of the Company.

(ii) In August 2022, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung were appointed as independent non-executive directors of the Company.

(b) There were no retirement benefits paid to or receivable by directors during the year ended 31 December 2022 by defined benefit pension plans operated by the Group (2021: nil).

(c) There were no director's termination benefits subsisted during the year ended 31 December 2022 (2021: nil).

(d) There was no consideration provided to third parties for making available directors' services subsisted during the year ended 31 December 2022 (2021: nil).

36. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(e) During the year ended 31 December 2022, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors of the Company or of any its holding companies, or bodies corporate controlled by and entities connected with such directors (2021: nil).

(f) During the year ended 31 December 2022, there were no significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the year ended 31 December 2022 or at any time during the year ended 31 December 2022 (2021: nil).

(g) During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the above directors as an inducement to join or upon joining the Group or as compensation for losses of office.

37. SUBSEQUENT EVENT

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

On 24 February 2023, Ocean Homeplus, a wholly-owned subsidiary of the Company, and Beijing Qianyuan Property Co., Ltd.* (北京乾遠置業有限公司), a wholly-owned subsidiary of Sino-Ocean Group, entered into an equity transfer agreement, pursuant to which Ocean Homeplus has conditionally agreed to acquire 100% equity interest in Sino-Ocean Mechatronics at a total consideration of RMB54,000,000.

Sino-Ocean Mechatronics is a company established in the PRC with limited liability, and a comprehensive mechatronic solution provider focusing on the real estate industry in the PRC. Sino-Ocean Mechatronics is principally engaged in mechatronic businesses including mechanical and electrical construction, contracting, technology development and consultation. Sino-Ocean Mechatronics is also actively participating in areas such as smart home, energy conservation and environmental protection as well as system integration. The industrial and commercial registration reflecting the change in relation to the transaction was completed on 8 March 2023.

* *For identification purpose only*

FIVE-YEAR FINANCIAL SUMMARY

	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,269,905**	2,965,559	2,023,319	1,829,575	1,610,309
Gross profit	**769,441**	824,835	511,301	376,679	322,997
Profit attributable to owners of the Company	**75,416**	439,020	257,634	206,504	137,153
Total assets	**4,086,080**	3,828,344	3,092,372	4,156,943	4,339,032
Total liabilities	**1,828,421**	1,394,216	1,041,067	3,716,677	3,809,147
Equity attributable to owners of the Company	**2,206,559**	2,402,283	2,028,383	417,938	500,942
Total equity	**2,257,659**	2,434,128	2,051,305	440,266	529,885

GLOSSARY

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

"AGM"	the annual general meeting of the Company
"Articles"	the amended and restated articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Board Committees"	the Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC"	the People's Republic of China, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this annual report
"Code of Conduct"	the code of conduct regarding Directors' securities transactions adopted by the Company
"Company" or "Sino-Ocean Service"	Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 06677)
"Company Secretary"	the company secretary of the Company
"Deed of Non-competition"	the deed of non-competition dated 30 November 2020 executed by the controlling Shareholders in favor of the Company (for itself and as trustee for each member of the Group), details of which are set forth in the paragraphs headed "Non-competition Undertaking" in the section of "Relationship with Controlling Shareholders" in the Prospectus
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company
"ESG"	environmental, social and governance
"Executive Director(s)"	the executive Director(s)
"GFA"	gross floor area
"Group" or "we"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Non-executive Director(s)"	the independent non-executive Director(s)
"Joint Chairmen"	the joint chairmen of the Board

"Latest Practicable Date"	31 March 2023, being the latest practicable date prior to the issue of this annual report
"Listing Date"	17 December 2020, the first date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Non-executive Director(s)"	the non-executive Director(s)
"Ocean Homeplus"	Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
"Prospectus"	the prospectus of the Company dated 7 December 2020
"Remuneration Committee"	the remuneration committee of the Company
"Risk Management Department"	the risk management department of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Registrar"	the Company's Hong Kong branch share registrar, Tricor Investor Services Limited
"Share(s)"	the ordinary share(s) of the Company with a nominal value of HKD0.10 each
"Shareholder(s)"	the shareholder(s) of the Company
"Shine Wind"	Shine Wind Development Limited (耀勝發展有限公司), a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Sino-Ocean Holding and a controlling Shareholder
"Sino-Ocean Connected Persons"	Sino-Ocean Holding and its associates, excluding, for the avoidance of doubt, the Group
"Sino-Ocean Group"	Sino-Ocean Holding and its subsidiaries
"Sino-Ocean Holding"	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03377), and the controlling Shareholder
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	United States dollars, the lawful currency of the United States
"YoY"	year-on-year
"%"	per cent

Note:

In this annual report, English names of the PRC entities marked "*" are translations of their Chinese names for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

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