遠洋服務
SINO-OCEAN SERVICE

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

RESULTS HIGHLIGHTS

- As of 30 June 2024, the total contracted GFA of property management projects was 133.6 million sq.m. and the total GFA under management was 100.1 million sq.m., representing a decrease of approximately 8% and 3% respectively as compared to 30 June 2023. During the reporting period, the Group continued to actively deal with inefficient projects.

- Revenue decreased by approximately 8% to RMB1,436.0 million as compared to the corresponding period in 2023 (first half of 2023: RMB1,555.8 million), which was mainly due to the initiatives of the Group to adjust the businesses and projects with unsatisfactory cash collection assurance during the reporting period, taking into account of the negative impacts of the sluggish macroeconomic environment and the real estate market downturn in the PRC.

- Gross profit increased by approximately 2% to RMB327.4 million as compared to the corresponding period in 2023 (first half of 2023: RMB321.5 million). The gross profit margin was approximately 23% (first half of 2023: 21%).

- Profit attributable to owners of the Company decreased by approximately 54% to RMB59.3 million as compared to the corresponding period in 2023 (first half of 2023: RMB128.7 million). The decrease in profit attributable to owners of the Company was mainly attributable to (i) the continuous real estate market downturn which lengthened the settlement cycle of relevant businesses and in turn led to an increase in the provision for trade and other receivables; and (ii) the absence of disposal of investment in a joint venture during the reporting period, while the Group recorded a one-off gain on disposal of investment in a joint venture in the corresponding period last year.

- The Board is pleased to declare an interim dividend of RMB0.0125 per Share (equivalent to HKD0.0137 per Share), in the form of cash.

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2024.

MARKET REVIEW AND OUTLOOK

As a bridge connecting government agencies, communities and property owners, the property management industry is indispensable in meeting the owners' needs and the division of social roles. As a result of the downward trend in real estate, growth of the property management industry slackened, and the phenomenon of "increased revenue but not profits" continued. There was an acceleration on industry consolidation, and fierce competition and intensified differentiation were witnessed. However, taking advantage of the industry's resilience and special attributes, various property management companies adjusted their strategies in a timely manner, returned to the origin of service and focused on users' experience, encouraging the industry to transform to a healthier and more stable structure. As urbanization in China continues to grow, living area per capita increases and living environment improves, the industry still has considerable room and potential for expansion. In the first half of 2024, the state and governments at various levels rolled out multiple policies to promote industry standardization, encourage elderly care, upgrade safety management, and regulate public and urban services. These policies steered the industry towards a more regulated and standardized development, as well as provided new opportunities in market segments.

In the first half of 2024, Sino-Ocean Service remained staunch in improving quality and efficiency. We continued to fortify our basis for sustainable expansion and forged ahead on the path of high quality and sustainable development. We continued to optimize service quality and our professional service system; steadily promoted external expansion and actively improved service capabilities and project quality in sub-sectors. We examined owners' needs and were attentive to users' experience, continuously enriched and refined value-added services; we persevered in enhancing quality and efficiency, practiced streamlined management and enhanced cash collection and cash flow control abilities. We upheld our philosophy of crafting quality services with an artisan's spirit, increased service capabilities continuously, strengthened our foundation, maintained high quality and sustainable development. We did our best towards achieving our goal of becoming a branded superior comprehensive property management service provider in China.

Numerous favorable real estate-related policies have been introduced. As the upstream industries went through enormous changes and sector valuations suffered intense corrections, property management companies need to follow the trend, respond quickly, return to the essence of service, enhance core competitiveness, and reshape their own unique value. The acceleration of urbanization, the unremitting improvement of people's living standards and the continuous advancement of streamlined basic governance have further promoted the development of the property management industry. The industry still has much room for development. In the future, the service demands in the sub-sectors such as community elderly care, urban public services, domestic services, and household consumption, as well as the support and guidance of high level policies, will drive the property management industry to expand in all dimensions. Through rebuilding core competitiveness and refining differentiating advantages, a second growth curve for property companies may be derived and a new track for the property management industry may be opened up. The asset-light and strong cash flow attributes of the industry will also enable property companies with good brands and superior services to be more resilient and have greater potential in a volatile market environment.

In the second half of 2024, we will remain committed to our original intention and mission of "serving customers with an artisan's spirit", constantly strengthen our professionalism and service capabilities, improve service quality and enhance users' experience. We will improve business structure, raise project efficiency, probe expansion potential in sub-sectors, make differentiating and specific expansion proposals. We will innovate the business management model, upgrade the operation management system, improve quality and efficiency with refined management, and fortify costs and cash flow controls. We will continue to promote standardized, information-based and systemized operations for more effective management and better services; delve into growth potential, develop innovative businesses based on customer needs, and achieve model-based, sizeable and sustainable development.

Breaking new grounds despite the hardship, we are unwavering in our strategy of sustainable and high quality expansion in the service industry. Moving forward steadily and remaining self-motivated, we are determined to become a branded superior comprehensive property management service provider in China.

RESULTS REVIEW

2024 interim results

For the six months ended 30 June 2024, our Group's revenue was RMB1,436.0 million, down approximately 8% YoY; gross profit was RMB327.4 million, up approximately 2% YoY. Net profit for the period was RMB60.2 million, down approximately 53% YoY. Profit attributable to owners of the Company was RMB59.3 million, down approximately 54% YoY. Basic earnings per share was RMB0.05, down approximately 54% YoY.

As at 30 June 2024, contracted GFA of property management services was 133.6 million sq.m., down approximately 8% YoY. GFA under management was 100.1 million sq.m., down approximately 3% YoY, mainly due to voluntary withdrawal from low-efficiency projects. Accumulated contracted GFA from third parties was 71.7 million sq.m., approximately 54% of total contracted GFA. We focused on expansion in high quality projects in penetrated cities. In the first half of 2024, we continued to raise the management density in these cities, with first-tier and second-tier cities accounting for approximately 85% of total area under management, including Beijing, Tianjin, Qingdao, Dalian, Chengdu and Wenzhou. Our advantage in scale in these cultivated cities went from strength to strength.

BUSINESS REVIEW

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 services, community value-added services and value-added services to non-property owners. The Group has consistently enjoyed a sound reputation in the industry on the back of its quality services and proven industry experience over the years.

Property management services

For the six months ended 30 June 2024, the Group's revenue from property management services amounted to RMB1,052.7 million, accounting for approximately 73% of the Group's total revenue.

Strengthening principal businesses and continuously optimising the quality and structure of the business. As at 30 June 2024, our contracted property management services for various business types amounted to 583 projects, with contracted GFA of 133.6 million sq.m. and GFA under management of 100.1 million sq.m., decreased by approximately 8% and 3%, respectively, as compared to 30 June 2023. During the period, the Group continued to seek expansion through multiple channels, such as tendering, joint venture and cooperation with large clients, as it continued to strengthen the development and expansion of its diverse businesses covering hospitals, industrial parks, logistics parks, government facilities and urban space with a focus on residential, commercial and office properties.

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

	As at 30 June	
	2024	2023
Contracted GFA *('000 sq.m.)*	**133,625**	144,504
Number of projects relating to contracted GFA	**583**	666
GFA under management *('000 sq.m.)*	**100,097**	103,453
Number of projects relating to GFA under management	**501**	539

Continuously enhancing the density of management in cities with deep engagement and amplifying the scale advantage of the public building services. During the period, the Group remained committed to the strategy of deepening its presence in key cities by leveraging its established human resource strengths in the regions where it had established a heavy presence to enhance operational efficiency and profitability with lower costs and improved efficiency. We prioritised the development of key customer channels by fully exploiting our local and supplier advantages to pave the way for subsequent deeper collaboration. For the first half of 2024, the percentage share of third parties in the Group's contracted GFA of property management service projects was approximately 54%, with third parties accounting for approximately 64% of our newly added contracted GFA.

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

	As at 30 June							
	2024				2023			
	Contracted GFA *('000 sq.m.)*	*%*	**GFA under management** *('000 sq.m.)*	*%*	Contracted GFA *('000 sq.m.)*	*%*	GFA under management *('000 sq.m.)*	*%*
Properties developed/owned by Sino-Ocean Group (including its joint ventures and associates)	**61,938**	**46**	**52,456**	**52**	60,667	42	50,205	49
Properties developed/owned by other third parties[1]	**71,687**	**54**	**47,641**	**48**	83,837	58	53,248	51
Total	**133,625**	**100**	**100,097**	**100**	144,504	100	103,453	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 30 June 2024, our projects covered 83 cities across 27 provinces, autonomous regions and municipalities in China. Our geographical presence covered 5 major city clusters, including the Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China region, Southern China region and Central and Western China region. We consolidated our scale edge in the Beijing-Tianjin-Hebei region, Bohai Rim region and Eastern China region, while gradually increasing our proportionate share in the Southern China region, Central and Western China region. As of 30 June 2024, the Beijing-Tianjin-Hebei region, Bohai Rim region, Eastern China region, Southern China region, and Central and Western China region accounted for approximately 32%, 22%, 16%, 14% and 16%, 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 six months ended 30 June 2024 and 2023 respectively:

	As at or for the six months ended 30 June							
	2024				2023			
	Contracted GFA	**GFA under management**	**Revenue**		Contracted GFA	GFA under management	Revenue	
	('000 sq.m.)	***('000 sq.m.)***	***(RMB'000)***	***%***	*('000 sq.m.)*	*('000 sq.m.)*	*(RMB'000)*	*%*
Beijing-Tianjin-Hebei region[1]	**46,561**	**32,253**	**341,739**	**33**	49,050	33,654	346,659	33
Bohai Rim region[2]	**26,402**	**21,446**	**210,329**	**20**	30,997	22,895	196,261	19
Eastern China region[3]	**20,024**	**16,223**	**210,495**	**20**	25,023	19,237	235,362	22
Southern China region[4]	**16,995**	**14,396**	**139,124**	**13**	16,110	13,444	127,027	12
Central and Western China region[5]	**23,643**	**15,779**	**151,002**	**14**	23,324	14,223	141,587	14
Total	**133,625**	**100,097**	**1,052,689**	**100**	144,504	103,453	1,046,896	100

Notes:

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

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

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

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

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

The Group's property management projects are mainly concentrated in first-tier and second-tier cities such as Beijing, Tianjin, Shanghai, Hangzhou and Wuhan. First-tier and second-tier cities accounted for approximately 85% of our GFA under management.

The table below sets out a breakdown of the contracted GFA and GFA under management in cities where the Group's property management service projects were primarily located as at 30 June 2024 according to the city classification by China Business Network in 2024:

	Contracted GFA		**GFA under management**	
	('000 sq.m.)	*%*	*('000 sq.m.)*	*%*
First-tier cities	**19,721**	**15**	**17,707**	**18**
New first-tier cities	**33,114**	**25**	**25,627**	**26**
Second-tier cities	**47,248**	**35**	**41,338**	**41**
Other cities	**33,542**	**25**	**15,425**	**15**
Total	**133,625**	**100**	**100,097**	**100**

Focusing on forging service capacity and building a strong foundation for services to practice high-quality and sustainable development. In the first half of 2024, adhering to the business philosophy of serving users with an artisan's spirit, we focused on improving the quality of our property management services, energising the Company's endogenous strength, and promoting the high-quality and sustainable development of the service sector. During the period, we were honored 12th in the "2024 TOP100 Property Management Companies in China", and "2024 China Leading Property Management Companies in terms of Customer Satisfaction", by virtue of our high-quality service level and delicacy operation capability. By integrating green concepts into our daily management of properties and practicing low-carbon and energy-saving operations, we have been awarded the "2024 China Property ESG Sustainable Development Leading Enterprise" and the "2024 China Property Low-Carbon Operation Leading Enterprise". We have set up a governance model featured by "three-party governance" in our projects on a pilot basis by integrating the resources of government agencies, the property owners' committee and the properties, opening up communication channels, and improving the supervision mechanism so as to continuously improve the details and quality of our services. In addition, the "Sino-Ocean Little Citizen Growth Paradise Base", which was set up by us jointly with the Community Residents' Committee, Sino-Ocean Group and the Sino-Ocean Charity Foundation, launched the second new public welfare activity themed with "Healthy Life and Zero-Carbon Future", providing the children in the community with knowledge popularisation activities such as courses on healthy growth, classes on fire emergency response and environmental protection, and organising sports activities such as the "Sino-Ocean Marathon", "soccer game for juniors" and badminton match, in order to escort the healthy growth of the children. During the period, we conducted special events such as "Blossoms in Spring, Fruits in Autumn (春華秋實)", "Production Safety Month" and "Children's Music Festival". We have held more than 160 sessions of "Children's Music Festival" events in more than 30 cities together; "Blossoms in Spring, Fruits in Autumn (春華秋實)" aimed to focus on the touch points of our customers, pay attention to the travelling routes of the property owners, and accurately optimise the details of our services, so as to revitalise and improve the environment of the community, and to effectively increase the satisfaction of our customers.

Property management services on residential and other non-commercial properties

As at 30 June 2024, the contracted GFA and GFA under management of the Group's residential and other non-commercial property projects were 123.8 million sq.m. and 94.4 million sq.m., respectively, decreased by approximately 7% and 2%, respectively, as compared to 30 June 2023. As at 30 June 2024, there were a total of 504 contracted property management projects, representing a decrease of approximately 12% as compared to 30 June 2023.

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 30 June	
	2024	2023
Contracted GFA *('000 sq.m.)*	**123,828**	132,796
Number of projects relating to contracted GFA	**504**	573
GFA under management *('000 sq.m.)*	**94,445**	96,736
Number of projects relating to GFA under management	**436**	465

Property management services on commercial properties

For the six months ended 30 June 2024, the Group's revenue from property management services on commercial properties amounted to RMB184.2 million, representing a decrease of approximately 13% as compared to the corresponding period of the previous year.

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

	As at 30 June	
	2024	2023
Contracted GFA *('000 sq.m.)*	**9,797**	11,708
Number of projects relating to contracted GFA	**79**	93
GFA under management *('000 sq.m.)*	**5,652**	6,717
Number of projects relating to GFA under management	**65**	74

Adhering to the high-quality service capacity for commercial properties and continuing to improve the delicacy operations. As at 30 June 2024, the Group provided commercial property management services to projects with a contracted GFA of 9.8 million sq.m. and GFA under management of 5.7 million sq.m., decreased by approximately 16% as compared to 30 June 2023. First-tier and second-tier cities accounted for 99% of our GFA under management. The Group's commercial property management services were focused on the two principal business forms of shopping malls and office buildings. With its high-quality service capability and delicacy operational capacity, the Company was awarded the "2024 China Model Property Management Companies in terms of Characteristic Property Samples — High-end Office Buildings" this year. As the Company didn't renew the relevant master commercial operational services agreement with the parent company which had expired on 31 December 2023, there were no commercial operational services in the first half of 2024. In the future, we will focus on the commercial property services segment, and will promote the long-term operation of our assets and realise the preservation and enhancement of our asset value through the diversification of our service system and high-quality service contents.

Community value-added services

Exploring in-depth community-based service model to enable diversified value-added business development. For the six months ended 30 June 2024, revenue from community value-added services amounted to RMB243.8 million, decreased by approximately 9% as compared to the corresponding period of the previous year and accounting for approximately 17% of the Group's total revenue. In the first half of 2024, on the basis of our four major businesses, namely "community living services, leasing and sale services, home decoration services and spatial resources services", we actively explored the direction of value-added business based on the local situations and in accordance with the conditions of the projects and the needs of the owners, polished the granularity of our business, and improved the matrix of value-added business. In connection with community living services, our first self-operated offline convenience store was opened successfully. Relying on our supply chain advantages, we provide owners with a full range of products and services to meet their day-to-day needs within one kilometer. In addition, on the basis of the "Yi Life (億家生活)" online shopping mall, we launched community group purchase services based on the convenience store, which connects online sales and offline services to provide owners with a time-saving and hassle-free shopping experience. In connection with leasing and sales services, we adhered to our strategic approach, and carried out targeted reforms to our existing business cooperation model to effectively improve business output. Regarding home decoration services, we conducted on-site surveys and researches on owners' needs for renovation, and has operated home decoration affiliated stores on a trial basis to provide owners with high-quality renovation products for existing houses and after-sales services. In connection with spatial resources, we continued to improve the coverage of convenient living services in the community by introducing community charging piles, water purification facilities and convenient car washing facilities to further improve the "one quarter-hour living circle of Sino-Ocean".

Focusing on diversified service innovation and cultivating a distinctive value-added business ecosystem. In terms of residential value-added services, we focused on clients' demand, actively exploring the pain points and preferences of owners in community living, home-delivery services, retail, housing renovation and refurbishment, and storage space, etc. On the basis of our four major businesses, we continued to enrich our value-added business matrix to satisfy the diversified needs of residents. In terms of commercial value-added services, based on our rich experience in property management and early involvement of commercial properties, we provided value-added services to our corporate customers with rigid needs, and our energy-saving solutions for car parks have formed a replicable experience. In the future, based on our original intent of service, we will actively leverage our own experience and resource advantages, strengthen customer interaction, and optimise customer experience, with an aim to create value-added service products with greater market appeal.

The following table sets forth a breakdown of the Group's revenue generated from community value-added services by service types for the six months ended 30 June 2024 and 2023, respectively:

	For the six months ended 30 June			
	2024		2023	
	(RMB'000)	***%***	*(RMB'000)*	*%*
Community asset value-added services[1]	**173,608**	**71**	189,240	71
Community living services[2]	**48,561**	**20**	33,104	12
Property brokerage services[3]	**21,629**	**9**	44,342	17
Total	**243,798**	**100**	266,686	100

Notes:

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

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

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

Value-added services to non-property owners

Building external competitive advantages through high-quality engineering maintenance capabilities, focusing on project admission standards, and forming a sustainable business development cycle. For the six months ended 30 June 2024, revenue from value-added services to non-property owners amounted to RMB139.5 million, decreased by approximately 30% as compared to the corresponding period of the previous year and accounting for approximately 10% of the Group's total revenue. During the period, considering the high correlation between the value-added business of non-property owners and real estate development companies, as well as the general situation of the current cash flow of real estate companies, the Group relied on its historical accumulation and the technological experience and brand advantages formed through mergers and acquisitions, prudently judged the risks of third-party projects, strictly controlled the project admission standards, and further enhanced the sustainable development of the Group's business.

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 six months ended 30 June 2024 and 2023, respectively:

	For the six months ended 30 June			
	2024		2023	
	(RMB'000)	***%***	*(RMB'000)*	*%*
Pre-delivery services[1]	**50,555**	**36**	85,955	43
Consultancy services[2]	**25,915**	**19**	55,618	28
Property engineering services[3]	**63,056**	**45**	58,194	29
Total	**139,526**	**100**	199,767	100

Notes:

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

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

3) Mainly represents engineering services to property developers and other property management companies, including property 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

Focusing on development in cities with deep engagement, emphasizing the quality of third-party projects, and building a diversified business system.

We have always adhered to the market-oriented development strategy in a bid to consolidate our established advantages in the main business. In the future, we will continue to strengthen the expansion direction of diversified business, strengthen the expansion of public buildings, industrial parks, hospitals, schools and other business on the basis of residential and commercial properties as our main business, adopt a variety of cooperation methods, give full play to territorial advantages, and improve urban management density and project management efficiency through long-term and stable resource channels. Meanwhile, we will still actively manage the projects under management, adhere to the net profit with cash quality, and take the initiative to withdraw from the projects with less than expected economic benefits, so as to ensure the overall project quality of the Company and our ability to allocate more resources to existing projects to provide property owners with better-quality property services and promote the Company's healthy development in the long term. We will continue to focus on cities with deep engagement, emphasize high-quality projects expansion, evaluate regional synergies, improve the signing rate of third-party projects and the quality of operation and management, and strictly control the standards of expansion to ensure the collection capacity and operating profit of third-party projects, so as to further stabilise the sustainable operation and development of the Company.

Breaking through the construction of value-added service system, comprehensively empowering and enhancing the operational capabilities of value-added services.

We will attach great importance to the synergistic development of value-added and basic businesses, and encourage actively exploring and meeting the diverse needs of customers while maintaining high-quality project services, thereby creating a deep community-based service ecosystem, and forming a "one quarter-hour living circle of Sino-Ocean". On the basis of our four main businesses and our minimal business unit, we will encourage the adjustment of business strategies according to the advantages of the projects and the needs of customers, develop and innovate value-added services according to actual local conditions, and improve customer satisfaction and loyalty. We have always adhered to the asset-light business model, and in the future, we will continue to improve our real estate operation capabilities, improve the efficiency of the Group's asset disposal, and improve our operating cash flow performance. In terms of function, we will optimise our talent team, supply chain construction, business process management and sales management, efficiently utilise the platform and regional resources to empower our business, and comprehensively cultivate the sustainable development capability of value-added business for projects.

Reshaping the organisational structure, optimising the cultivation of professional ability of talents, and promoting the construction of talent team.

We will optimise the organizational structure, strengthen flat management, shorten the management link, and improve decision-making efficiency and execution. At the same time, we will pilot the function sharing model to realise the empowerment of professional resources and promote the overall efficiency of the organisation. We will optimise the construction of the talent pool and introduce high-quality talents with professional skills and industry experience according to the existing business needs and strengthen the talent reserve plan for key positions to ensure the continuous supply of talents in key positions. In addition, we will further improve the ecosystem of business skills learning courses, formulate special incentive policies around business pain points, optimise incentive policy guidance and rules, and promote performance improvement through a combination of training and practice. For basic properties, we will adjust the staffing, create a grid stewardship model, promote integrated skill coverage, integrate and mobilise resource coverage, quickly respond to customer needs, and improve their satisfaction. In terms of the already released service standardisation system documents, we will emphasize the implementation and training effectiveness enhancement, so as to further promote the ability training and professional quality improvement of business personnel and the iterative upgrading of service quality.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2024 decreased by approximately 8% to RMB1,436.0 million, from RMB1,555.8 million for the six months ended 30 June 2023. The Group's revenue for the period was generated from (i) property management services[1]; (ii) community value-added services; and (iii) value-added services to non-property owners, which contributed approximately 73%, 17% and 10% of the Group's total revenue, respectively.

The following table sets forth the breakdown of our unaudited total revenue by business lines for the six months ended 30 June 2024 and 2023, respectively:

	For the six months ended 30 June			
	2024		2023	
	(RMB'000)	***%***	*(RMB'000)*	*%*
Property management and commercial operational services[1]	**1,052,689**	**73**	1,089,384	70
Community value-added services	**243,798**	**17**	266,686	17
Value-added services to non-property owners	**139,526**	**10**	199,767	13
Total	**1,436,013**	**100**	1,555,837	100

Note:

1) The master commercial operational services agreement dated 14 June 2021 entered into between the Company and Sino-Ocean Holding in relation to the provision of commercial operational services by the Group (details of the agreement have been set out in the circular of the Company dated 21 July 2021) had expired on 31 December 2023. Taking into account the decreasing demand of commercial operational services in the market and the Group's focus on its strategic core businesses, the Company did not renew the master commercial operational services agreement with Sino-Ocean Holding. The Group's revenue streams for the first half of 2024 mainly comprised of (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners.

Revenue from property management services for the first half of 2024 slightly decreased by approximately 3% to RMB1,052.7 million from RMB1,089.4 million for the first half of 2023. The decrease was mainly attributable to the combined effects of (a) the increase in revenue from property management services on residential properties; and (b) the absence of revenue from commercial operational services for the period.

Revenue from community value-added services for the first half of 2024 decreased by approximately 9% to RMB243.8 million (first half of 2023: RMB266.7 million), which was mainly attributable to the overall economic situation and the downturn in the real estate market, revenue from community asset value-added services and property brokerage services decreased; partially offset by the increase in revenue from community living services as the Group has further developed the online store and launched pilot businesses such as convenience store during the period.

Revenue from value-added services to non-property owners for the first half of 2024 decreased by approximately 30% to RMB139.5 million (first half of 2023: RMB199.8 million). The decrease was mainly caused by (i) revenue from pre-delivery services which decreased by approximately 41% to RMB50.6 million for the first half of 2024 from RMB86.0 million for the first half of 2023; and (ii) revenue from consultancy services which decreased by approximately 53% to RMB25.9 million for the first half of 2024 (first half of 2023: RMB55.6 million), mainly attributable to the decrease in pre-sale activities in the real estate market.

Cost of sales and services

For the first half of 2024, cost of sales and services was RMB1,108.6 million (first half of 2023: RMB1,234.3 million).

The cost of sales and services comprised mainly (i) outsourced security, greening and cleaning expenses; (ii) employee benefit expenses, maintenance and utilities expenses; (iii) cost of consumables and construction materials; (iv) cost of merchandises sold; and (v) sub-contract expenses for home improvement and property agency services.

Outsourced security, greening and cleaning expenses for the first half of 2024 decreased by approximately 11% to RMB398.5 million, from RMB446.6 million as compared to the corresponding period of 2023, which was in line with the decrease in revenue scale of the Company.

Employee benefit expenses, maintenance and utilities expenses for the first half of 2024 in aggregate slightly decreased by approximately 2% to RMB585.9 million as compared with that of RMB597.8 million in the corresponding period of 2023, which was in line with the decrease in total revenue of the Company.

Cost of consumables and construction materials decreased by approximately 51% to RMB11.2 million, for the first half of 2024, as compared to RMB23.0 million for the first half of 2023, which was in line with the decrease in revenue from value-added services to non-property owners.

Cost of merchandises sold increased by approximately 116% to RMB36.7 million for the first half of 2024 from RMB17.0 million for the first half of 2023, which was in line with the increase in the scale of the retail sales in our community living services.

Sub-contract expenses for home improvement and property agency services decreased by approximately 42% to RMB9.6 million for the first half of 2024 from RMB16.6 million for the first half of 2023, which was in line with the decrease in revenue of the home decoration and property agency services due to the downturn of the overall real estate market.

Gross profit and gross profit margin

Gross profit for the first half of 2024 increased by approximately 2% to RMB327.4 million from RMB321.5 million for the first half of 2023. The overall gross profit margin for the first half of 2024 increased to approximately 23% from approximately 21% for the first half of 2023, mainly attributable to the increase in gross profit margin of property management services[1] and community value-added services, partly offset by the decrease in gross profit generated from value-added services to non-property owners due to the overall economic situation.

The table below sets forth the breakdown of our gross profit and gross profit margin by business lines for the six months ended 30 June 2024 and 2023 respectively:

	For the six months ended 30 June			
	2024		2023	
	Gross profit *(RMB'000)*	**Gross profit margin** *%*	Gross profit *(RMB'000)*	Gross profit margin *%*
Property management and commercial operational services[1]	**210,104**	**20**	206,962	19
Community value-added services	**94,056**	**39**	74,727	28
Value-added services to non-property owners	**23,260**	**17**	39,805	20
Total	**327,420**	**23**	321,494	21

Note:

1) Please refer to Note 1 of the section headed "Revenue" under the Financial Review of this interim results announcement.

Gross profit margin for property management services slightly increased from approximately 19% for the first half of 2023 to approximately 20% for the first half of 2024. The increase in gross profit margin as the Company has enhanced operational efficiency and profitability with lower costs and improved efficiency.

Gross profit margin for community value-added services increased from approximately 28% for the first half of 2023 to approximately 39% for the first half of 2024, which was mainly attributable to the recovery of gross profit margin from property brokerage services during the period.

Gross profit margin for value-added services to non-property owners decreased from approximately 20% for the first half of 2023 to approximately 17% for the first half of 2024, which was primarily attributable to the decrease in gross profit margin from pre-delivery services with higher gross profit margins.

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

Other income and other (losses)/gains, net

The other income for the first half of 2024 was RMB9.2 million, a decrease of RMB3.6 million from RMB12.8 million in the first half of 2023. The other income mainly comprised government grants and interest income. The decrease was mainly attributable to the decrease in government grants received and the additional deduction of input value-added tax was expired on 31 December 2023, during the period.

We recorded other losses (net) of RMB1.4 million for the first half of 2024 (first half of 2023: gains of RMB14.4 million). The net other losses mainly arose from net exchange losses and the disposal loss of subsidiaries during the period.

Operating expenses

Selling and marketing expenses for the first half of 2024 remained stable at RMB8.1 million (first half of 2023: RMB7.6 million).

Administrative expenses for the first half of 2024 decreased by approximately 4% to RMB105.1 million as compared to RMB110.0 million for the first half of 2023. This decrease was primarily due to the Group's implementation of strict cost control measures during the period.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by approximately 64% to RMB124.5 million for the first half of 2024, from RMB75.7 million for the first half of 2023. The increase in such losses was mainly attributable to the increase in provision made by the Group for trade and other receivables, considering the sluggish macroeconomic environment and the downturn in the real estate market in the PRC.

Impairment losses on goodwill

For the first half of 2024, due to the overall real estate market downturn in the PRC, the Group recorded net impairment losses on goodwill of RMB9.2 million (first half of 2023: nil).

Finance costs

Finance costs for the first half of 2024 and 30 June 2023 amounted to RMB0.3 million and RMB0.4 million, respectively, mainly comprised interest expenses of the lease liabilities.

Share of results in joint ventures

For the first half of 2024, share of results in joint ventures amounted to losses of RMB3.0 million (first half of 2023: profits of RMB1.2 million). The recorded loss was mainly due to the decline in the financial performance of the joint ventures affected by the downturn of the overall economic situation.

Taxation

Income tax expense for the first half of 2024 decreased by approximately 10% to RMB24.8 million (first half of 2023: RMB27.6 million). The decrease in income tax expense was the combined effects of the decrease in operating profits and the increase in tax non-deductible items.

Profit attributable to owners of the Company

Due to (i) the continuous real estate market downturn which lengthened the settlement cycle of relevant businesses and in turn led to an increase in the provision for trade and other receivables; and (ii) the absence of disposal of investment in a joint venture during the period, while the Group recorded a one-off gain on disposal of investment in a joint venture in the corresponding period last year, the profit attributable to owners of the Company for the first half of 2024 decreased by approximately 54% to RMB59.3 million, as compared to RMB128.7 million for the first half of 2023. Our management will continue to focus on the improvement of our Shareholders' return as an on-going task.

Investment properties

Investment properties represented underground commercial properties and parking spaces located in the PRC, which were held to earn rentals. As at 30 June 2024, the Group's investment properties remained stable at RMB60.8 million (31 December 2023: RMB61.5 million).

Property, plant and equipment

Property, plant and equipment mainly consisted of office and operating equipment, leasehold improvement, vehicles and buildings. As at 30 June 2024, the Group's property, plant and equipment slightly decreased to RMB100.3 million from RMB104.7 million as at 31 December 2023.

Intangible assets

Intangible assets comprised of computer software, property management contracts, customer relationships, trademark and goodwill. As at 30 June 2024, the Group's intangible assets decreased to RMB678.3 million from RMB699.0 million as at 31 December 2023. The decrease was primarily due to amortisations and impairment losses of goodwill during the period.

Inventories

Inventories primarily consisted of parking spaces, commercial properties and community facilities held for sale and consumables held for consumption during the provision of property management services. Our inventories was RMB646.1 million as at 30 June 2024 (31 December 2023: RMB651.4 million).

Trade and note receivables

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

As at 30 June 2024, trade and note receivables amounted to RMB1,210.3 million, representing an increase of approximately 8% as compared to RMB1,123.0 million as at 31 December 2023. The increase was primarily attributable to the increase in trade and note receivables from third parties, arising from the slowdown in receivables collection under the negative macroeconomic environment. We will continue to enhance various measures to ensure the timeliness and expedite the recovery of our trade and note receivables.

Prepayments and other receivables

Prepayments and other receivables include prepayment to suppliers, other receivables and prepaid tax which in aggregate remained stable at RMB525.7 million as at 30 June 2024 from RMB525.0 million as at 31 December 2023.

Trade and other payables

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

As at 30 June 2024, trade and other payables amounted to RMB1,260.7 million, which remained relatively stable as compared to RMB1,275.1 million as at 31 December 2023.

Contract liabilities

Contract liabilities represent our obligations to provide the contracted property management services, community value-added services and valued-added services to non-property owners. Contract liabilities mainly arose from the advance payments made by customers while the underlying services such as property management services and carpark management services are yet to be provided. As at 30 June 2024, our contract liabilities amounted to RMB584.1 million, representing an increase of approximately 13% as compared to RMB518.1 million as at 31 December 2023, which was in line with the increase in revenue from property management services on residential properties.

Capital expenditures

In the first half of 2024, we incurred capital expenditures of RMB3.6 million (first half of 2023: RMB10.6 million), which mainly consisted of (i) purchase of investment properties; (ii) purchase of intangible assets such as computer software; and (iii) purchase of property, plant and equipment.

Financial resources and liquidity

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

As at 30 June 2024, the Group had cash and cash equivalents of RMB680.6 million and restricted bank deposits of RMB8.0 million, amounted to RMB688.6 million in aggregate; of which approximately 99.9% (31 December 2023: approximately 99.9%) of the Group's cash resources were denominated in RMB with the remaining balances denominated in HKD, and a current ratio of 1.6 times (31 December 2023: 1.6 times). We have ample financial resources and an adaptable financial management policy to support our business expansion in the coming years.

The principal activities of the Group are conducted in the PRC. During the first half of 2024, the Group did not use any financial instruments for hedging purpose. In view of the potential Renminbi exchange rate fluctuations, we will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks.

As at 30 June 2024 and 31 December 2023, the Group had no borrowings.

Gearing ratio

Gearing ratio is calculated by dividing total borrowings by total equity, based on the sum of bank loans and other borrowings as at the corresponding date divided by the total equity on the same date. As at 30 June 2024, gearing ratio was nil (31 December 2023: nil).

Significant investments

As at 30 June 2024, we did not have any significant investments.

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

Capital commitments

As at 30 June 2024, the Group had no capital commitment (31 December 2023: nil).

Charge on assets

As at 30 June 2024, we did not have any charges on our assets.

Contingent liabilities

As at 30 June 2024, we did not have any significant contingent liabilities.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures during the first half of 2024.

Employees and human resources

As at 30 June 2024, the Group had 8,684 employees (30 June 2023: 9,546 employees). The total number of employees serving the Group decreased primarily attributable to the optimisation of the Company's business strategy. At the same time, we continued to elevate our effort on improving both manpower effectiveness and control capability, as well as optimising resources allocation of the Group during the period. Our employee benefit expenses for the first half of 2024 was RMB440.5 million (first half of 2023: RMB478.3 million), which was in line with the decrease in number of employees.

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

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

Important event after the reporting period

As at the date of this interim results announcement, there was no important event affecting the Group after the six months ended 30 June 2024.

Use of net proceeds from listing

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

- Approximately 60%, or HKD1,015.0 million (equivalent to approximately RMB855.8 million), will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business;

- Approximately 20%, or HKD338.3 million (equivalent to approximately RMB285.3 million), will be used to develop smart community through upgrading of our systems for smart management;

- Approximately 10%, or HKD169.2 million (equivalent to approximately RMB142.6 million), will be used to enhance our level of digitisation and our internal information technology infrastructure; and

- Approximately 10%, or HKD169.2 million (equivalent to approximately RMB142.6 million), will be used for working capital and general corporate purpose.

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

As at 30 June 2024, 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)*	Utilised immediately before Reallocation *(RMB million)*	Planned use of net proceeds after Reallocation *(RMB million)*	Amount utilised/ (refunded) after Reallocation up to 31 December 2023 *(RMB million)*	Unutilised as at 31 December 2023 *(RMB million)*	Utilised/ (Refunded) during the period *(RMB million)*	Unutilised as at 30 June 2024 *(RMB million)*	Expected timetable for the usage of the unutilised net proceeds as at 30 June 2024
Pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business	855.8	663.3	663.3	(80.0) *(Note 1)*	80.0	(15.0) *(Note 2)*	95.0	On or before 30 June 2025
Develop smart community through upgrading of our systems for smart management	285.3	28.3	28.3	—	—	—	—	N/A
Enhance our level of digitisation and our internal information technology infrastructure	142.6	44.8	59.8	15.0	—	—	—	N/A
Working capital and general corporate purpose	142.6	142.6	142.6	—	—	—	—	N/A
Further expansion of and diversification into value-added services including (i) the acquisition of exclusive sales rights for parking spaces, and/or (ii) the investment in and/or acquisition of target(s) that provide complementary value-added services and other upstream and downstream business synergies	—	—	375.5	372.8	2.7	1.2 *(Note 3)*	1.5	On or before 30 June 2025
Further expansion of the business of commercial asset operation pursuant to the commercial property leasing and operation arrangement	—	—	79.4	79.4 *(Note 4)*	—	—	—	N/A
Acquisition of self-use office premises in Shenzhen and Beijing, PRC	—	—	77.4	77.4 *(Note 5)*	—	—	—	N/A
Total	1,426.3	879.0	1,426.3	464.6	82.7	(13.8)	96.5	

Notes:

1) During the year ended 31 December 2022, the Group paid RMB80.0 million to an independent third party as earnest money for the potential acquisition of a PRC property management company. The potential acquisition did not materialise and the earnest money was subsequently refunded to the Group in 2023. As at the date of this interim results announcement, the refunded RMB80.0 million has not been utilised. The expected time to utilise such refunded net proceeds has been further extended from on or before 31 December 2024 (as disclosed in the 2023 annual report of the Company) to on or before 30 June 2025, as it would take time for the Company to evaluate and identify suitable investment and acquisition targets under the current market conditions. It is expected that such refunded net proceeds would still be utilised for the purpose of pursuing selective strategic investment and acquisition and to further develop strategic alliances and expand the scale of the Company's property management business as disclosed in the Prospectus and the Change in Use of Proceeds Announcement.

2) During the first half of 2024, RMB15.0 million was refunded from an independent third party to the Group. Such amount was paid by the Group as earnest money for the potential acquisition of a PRC property management company in 2022. The potential acquisition did not materialise and the earnest money was subsequently refunded to the Group during the reporting period. As at the date of this interim results announcement, the refunded RMB15.0 million has not been utilised. The time to utilise such refunded net proceeds is expected to be on or before 30 June 2025, as it would take time for the Company to evaluate and identify suitable investment and acquisition targets under the current market conditions. It is expected that such refunded net proceeds would still be utilised for the purpose of pursuing selective strategic investment and acquisition and to further develop strategic alliances and expand the scale of the Company's property management business as disclosed in the Prospectus and the Change in Use of Proceeds Announcement.

3) Out of the unutilised net proceeds of RMB2.7 million as at 31 December 2023, RMB1.2 million were utilised for further expansion of our value-added services, such as convenient store and senior living services, during the first half of 2024. As at the date of this interim results announcement, RMB1.5 million has not been utilised. The expected time to utilise such remaining net proceeds has been further extended from on or before 31 December 2024 (as disclosed in the 2023 annual report of the Company) to on or before 30 June 2025 as no suitable opportunities for the use of the remaining net proceeds has been identified and it would take time for the Company to evaluate and identify suitable opportunities under the current market conditions. It is expected that such remaining net proceeds would still be utilised for the purpose of further expansion of and diversification into value-added services pursuant to the reallocation arrangement as disclosed in the Change in Use of Proceeds Announcement.

4) 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.

5) 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 (the "Acquired Premises"), as detailed in the announcement of the Company dated 11 November 2022. Among the RMB77.4 million paid, 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. After taking into account the change and development of the business environment subsequent to the acquisition of the Acquired Premises, the scale adjustment and the maximisation of the operational effectiveness of the Group's businesses, and with a view to optimising the use of the Acquired Premises, as at the date of this interim results announcement, the Acquired Premises were planned to be re-designated for rental purposes. The Company will continue to carry out strategic reviews of the Group's assets from time to time with a view to maximising returns to the Shareholders and, with due consideration given to factors including the then market conditions, valuation as well as the interests of the Company and the Shareholders as a whole, the Company may also consider to dispose of all or part of the Acquired Premises in future should suitable opportunity arises.

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 interim results announcement. Despite the above change in the use of the unutilised net proceeds, the Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The Board considers the above change in the use of the unutilised net proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to reduce the operation costs of the Group and enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

The unutilised net proceeds prior to the full utilisation were deposited with licensed banks or financial institutions in Mainland China and Hong Kong. As at the date of this interim results announcement, the unutilised net proceeds amounted to RMB96.5 million. The expected timeline of full utilisation set out above is based on the Company's best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.

The unaudited interim results of the Group for the six months ended 30 June 2024 are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Assets			
Non-current assets			
Investment properties		**60,824**	61,532
Property, plant and equipment		**100,278**	104,732
Intangible assets		**678,326**	698,976
Right-of-use assets		**11,251**	10,906
Investments in joint ventures		**47,634**	50,592
Deferred income tax assets		**154,120**	134,967
Total non-current assets		**1,052,433**	1,061,705
Current assets			
Inventories		**646,142**	651,355
Trade and note receivables	6	**1,210,279**	1,123,025
Contract assets		**4,595**	17,413
Prepayments and other receivables		**525,662**	525,020
Restricted bank deposits		**7,970**	9,120
Cash and cash equivalents		**680,613**	651,542
Total current assets		**3,075,261**	2,977,475
Total assets		**4,127,694**	4,039,180
Equity			
Share capital		**99,829**	99,829
Reserves		**1,200,021**	1,217,071
Retained earnings		**841,637**	782,297
Equity attributable to owners of the Company		**2,141,487**	2,099,197
Non-controlling interests		**42,058**	46,513
Total equity		**2,183,545**	2,145,710

	Notes	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Trade and other payables	7	**9,657**	15,297
Lease liabilities		**4,311**	2,206
Deferred income tax liabilities		**49,493**	52,912
Total non-current liabilities		**63,461**	70,415
Current liabilities			
Trade and other payables	7	**1,251,017**	1,259,766
Contract liabilities		**584,097**	518,064
Lease liabilities		**6,144**	5,460
Current tax liabilities		**39,430**	39,765
Total current liabilities		**1,880,688**	1,823,055
Total liabilities		**1,944,149**	1,893,470
Total equity and liabilities		**4,127,694**	4,039,180

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	**1,436,013**	1,555,837
Cost of sales and services	5,8	**(1,108,593)**	(1,234,343)
Gross profit		**327,420**	321,494
Selling and marketing expenses	8	**(8,121)**	(7,618)
Administrative expenses	8	**(105,140)**	(109,998)
Impairment losses on goodwill		**(9,212)**	—
Net impairment losses on financial assets		**(124,487)**	(75,712)
Other income		**9,239**	12,787
Other (losses)/gains	9	**(1,446)**	14,381
Operating profit		**88,253**	155,334
Finance costs		**(307)**	(414)
Share of results in joint ventures		**(2,958)**	1,161
Profit before income tax		**84,988**	156,081
Income tax expense	10	**(24,772)**	(27,634)
Profit for the period		**60,216**	128,447
Other comprehensive income		**—**	—
Profit and total comprehensive income for the period		**60,216**	128,447
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**59,340**	128,714
Non-controlling interests		**876**	(267)
		60,216	128,447
Earnings per share for profit attributable to owners of the Company			
Basic and diluted *(expressed in RMB per share)*	11	**0.05**	0.11

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

This interim condensed consolidated financial information has not been audited and is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the Board on 27 August 2024.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This interim financial information does not include all the notes of the type normally included in the annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial report for the year ended 31 December 2023 and any public announcements made by the Company during the interim reporting period.

3. ACCOUNTING POLICIES

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

Amendments to HKFRSs that are mandatorily effective for the current period

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (Revised)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to the standards listed above in the current period 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 interim condensed consolidated financial statements.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of the Company. During the six months ended 30 June 2024, the Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. Management reviews the operating results of the business by geography but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

As at 30 June 2024 and 31 December 2023, all of the non-current assets were located in the PRC.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the six months ended 30 June 2024 and 2023.

5. REVENUE AND COST OF SALES AND SERVICES

Revenue mainly comprises of proceeds from property management and commercial operational services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue and cost of sales and services by category for the six months ended 30 June 2024 and 2023 is as follows:

	Six months ended 30 June			
	2024		2023	
	Revenue	**Cost of sales and services**	Revenue	Cost of sales and services
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Type of goods or services				
Property management and commercial operational services	**1,052,689**	**842,585**	1,089,384	882,422
Community value-added services	**243,798**	**149,742**	266,686	191,959
Value-added services to non-property owners	**139,526**	**116,266**	199,767	159,962
	1,436,013	**1,108,593**	1,555,837	1,234,343
Timing of revenue recognition				
Over time	**1,297,686**	**1,013,854**	1,349,956	1,055,882
Point in time	**87,533**	**67,317**	103,300	98,582
	1,385,219	**1,081,171**	1,453,256	1,154,464
Revenue from other sources				
Rental income	**50,794**	**27,422**	102,581	79,879

For the six months ended 30 June 2024, 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 10% (for the six months ended 30 June 2023: 14%) of the Group's revenue. Other than Sino-Ocean Group, it's 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 during the six months ended 30 June 2024 and 2023.

6. TRADE AND NOTE RECEIVABLES

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Trade receivables		
— Related parties	**710,524**	834,550
— Third parties	**1,094,163**	770,779
	1,804,687	1,605,329
Note receivables		
— Third parties	**6**	—
Less: allowance for impairment of trade and note receivables	**(594,414)**	(482,304)
Total	**1,210,279**	1,123,025

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

Ageing analysis of trade and note receivable, based on the invoice date, were as follows:

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Within 1 year	**865,765**	839,386
1–2 years	**534,251**	523,778
2–3 years	**280,065**	136,629
Over 3 years	**124,612**	105,536
Total	**1,804,693**	1,605,329

7. TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables		
— Related parties	**33,185**	25,802
— Third parties	**709,564**	725,558
	742,749	751,360
Other payables		
— Related parties	**15,496**	27,007
— Deposit	**176,005**	180,253
— Amounts collected on behalf of property owner	**178,925**	160,931
— Consideration payable for acquisition of a subsidiary	**8,580**	8,580
— Others	**36,382**	30,016
	415,388	406,787
Dividends payables		
— Non-controlling shareholders	**1,320**	1,320
Accrued payroll and welfare payables	**94,916**	108,935
Other tax payables	**6,301**	6,661
	101,217	115,596
Less: non-current portion	**(9,657)**	(15,297)
Current portion	**1,251,017**	1,259,766

As at 30 June 2024 and 31 December 2023, the carrying amounts of trade and other payables approximated their fair values.

As at 30 June 2024 and 31 December 2023, ageing analysis of trade payables at the reporting date, based on the invoice date, is as follows:

	As at	
	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**531,874**	527,493
1–2 years	**105,825**	121,312
2–3 years	**57,714**	58,439
Over 3 years	**47,336**	44,116
Total	**742,749**	751,360

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**440,509**	478,251
Outsourced security, greening and cleaning expenses	**398,813**	448,823
Maintenance expenses and utilities	**202,137**	171,435
Cost of consumables and construction materials	**11,421**	23,305
Cost of merchandises sold	**36,673**	16,992
Cost of selling carpark spaces and properties	**3,701**	19,797
Sub-contract expenses for home improvement and property agency services	**9,633**	18,175
Office-related expenses	**43,564**	50,724
Depreciation and amortisation charges	**29,496**	58,287
Community activities expenses	**8,121**	7,618
Taxes and surcharges	**7,956**	7,104
Write-down of inventories to net realisable value	**3,702**	22,867
Auditors' remuneration		
— Audit services	**—**	—
— Non-audit services	**1,000**	1,000
Others	**25,128**	27,581
	1,221,854	1,351,959

9. OTHER (LOSSES)/GAINS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain/(loss) on disposal of property, plant and equipment	**2**	(34)
Gain on disposal of investment in a joint venture	**—**	20,559
Loss on disposal of a subsidiary	**(719)**	—
Net foreign exchange losses	**(729)**	(6,144)
	(1,446)	14,381

10. INCOME TAX EXPENSE

The group entities are subjected to PRC corporate income tax, which has been provided for based on the applicable tax rate of the assessable income of each of these group entities for the six months ended 30 June 2024 and 2023. Certain subsidiaries of the Group in the PRC are qualified as small, micro businesses or High-New Technology Enterprise and enjoy preferential income tax rate of 5% or 15%. Companies registered in Hong Kong are mainly subjected to Hong Kong profits tax.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	**47,168**	44,469
— PRC land appreciation tax	**176**	421
	47,344	44,890
Deferred income tax		
— Origination and reversal of temporary differences	**(22,572)**	(17,256)
Income tax expense	**24,772**	27,634

11. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of 1,184,000,000 (for the six months ended 30 June 2023: 1,184,000,000) in issue during the six-month periods.

For the six months ended 30 June 2024 and 2023, diluted earnings per share was equal to the basic earnings per share as there were no dilutive potential ordinary shares.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)*	**59,340**	128,714
Weighted average number of ordinary shares in issue *(in thousands)*	**1,184,000**	1,184,000
Basic and diluted earnings per share for profit attributable to the owners of the Company during the period *(expressed in RMB per share)*	**0.05**	0.11

12. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
2023 final dividend declared and paid of RMB0.0144 (2023: 2022 final dividend declared and paid of RMB0.123) per ordinary share (a)	**17,050**	146,109
2024 interim dividend declared of RMB0.0125 (2023: RMBnil) per ordinary share (b)	**14,800**	—
	31,850	146,109

(a) During the six months ended 30 June 2024, the Company declared and paid final dividends with aggregated amounts of RMB17,050,000 (for the six months ended 30 June 2023: RMB146,109,000) to the Company's shareholders.

(b) On 27 August 2024, the Board has resolved to declare an interim dividend of RMB0.0125 per ordinary share with aggregated amount of RMB14,800,000 for the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMBnil).

13. SUBSEQUENT EVENT

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited interim financial information of the Group for the six months ended 30 June 2024 has been reviewed by the auditors of the Company, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control, risk management and financial reporting matters including a review of the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2024. 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. HOU Min. Mr. LEUNG Wai Hung is the chairman of the Audit Committee.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB0.0125 per Share (equivalent to HKD0.0137 per Share, rounded to the nearest four decimal places) for the six months ended 30 June 2024 (six months ended 30 June 2023: nil). The interim dividend will be paid in cash in HKD. The relevant exchange rate is the average central parity rate of RMB to HKD as announced by the People's Bank of China for the period from Tuesday, 20 August 2024 to Monday, 26 August 2024 (RMB1=HKD1.0932). The interim dividend will be paid to the Shareholders (except for the holders of treasury shares, if any) whose names are standing in the register of members of the Company at the close of business on Friday, 13 September 2024. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 13 September 2024. Currently, the Company does not hold any treasury shares.

It is expected that the cheques for dividend payment in relation to the interim dividend will be despatched at the risk of those who are entitled thereto to their respective registered addresses on or around Thursday, 26 September 2024.

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 (including the sale of treasury shares, if any) of the Company during the six months ended 30 June 2024.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had applied the principles of the CG Code to its corporate governance structure and practices which have been described in the Corporate Governance Report contained in the annual report of the Company for the year ended 31 December 2023 and complied with all the applicable code provisions of the CG Code throughout the six months ended 30 June 2024, except for the deviation as disclosed below:

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

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

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

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinooceanservice.com). The Company's interim report for the six months ended 30 June 2024 will be available on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

DEFINITIONS

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

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC"	the People's Republic of China, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
"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)
"Director(s)"	the director(s) of the Company
"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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Non-executive Director(s)"	the non-executive Director(s)
"Prospectus"	the prospectus of the Company dated 7 December 2020
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	the ordinary share(s) of the Company with a nominal value of HKD0.10 each

"Shareholder(s)"	the shareholder(s) of the Company
"Sino-Ocean Group"	Sino-Ocean Holding and its subsidiaries
"Sino-Ocean Holding"	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03377), and a controlling Shareholder
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"YoY"	year-on-year
"%"	per cent

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

Hong Kong, 27 August 2024

As at the date of this announcement, the Board comprises Mr. Yang Deyong and Ms. Zhu Geying as Executive Directors, Mr. Cui Hongjie and Mr. Hou Min as Non-executive Directors, and Dr. Guo Jie, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung as Independent Non-executive Directors.