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First Service Holding Limited

第一服务控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2107)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- Revenue for the year ended 31 December 2021 amounted to approximately RMB1,119.9 million, representing an increase of approximately 44.4% as compared to that of approximately RMB775.4 million (restated) for the year ended 31 December 2020.
- Gross profit for the year ended 31 December 2021 amounted to approximately RMB335.4 million, representing an increase of approximately 25.4% as compared to that of approximately RMB267.5 million (restated) for the year ended 31 December 2020.
- As of 31 December 2021, our total gross floor area (“GFA”) under management amounted to approximately 52.1 million sq.m., representing an increase of approximately 172.9% as compared with that as of 31 December 2020, among which GFA under management sourced from third parties increased significantly by approximately 425.7% as compared with that as of 31 December 2020.
- As of 31 December 2021, our total contracted GFA amounted to approximately 74.0 million sq.m., representing an increase of approximately 98.4% as compared with that as of 31 December 2020, among which contracted GFA sourced from third parties increased significantly by approximately 200.6% as compared with that as of 31 December 2020.
- The Board has recommended the payment of a final dividend of HK6.77 cents per share for the year ended 31 December 2021 (for the year ended 31 December 2020: HK3.97 cents per share).

The board of directors (the “**Board**”) of First Service Holding Limited (第一服务控股有限公司) (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for 2020.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

*(Expressed in Renminbi (“**RMB**”))*

	<i>Note</i>	2021 <i>RMB’000</i>	2020 <i>RMB’000</i> <i>Restated</i>
Revenue	3	1,119,869	775,367
Cost of sales		<u>(784,506)</u>	<u>(507,857)</u>
Gross profit		<u>335,363</u>	<u>267,510</u>
Other net income	4	22,791	26,784
Selling expenses		(18,220)	(9,649)
Administrative expenses		(186,522)	(151,859)
Expected credit loss on trade receivables and contract assets		(113,135)	(10,236)
Finance costs		(459)	(235)
Share of loss of an associate		(531)	(637)
Share of profit/(loss) of joint ventures		<u>5</u>	<u>(6)</u>
Profit before taxation	5	39,292	121,672
Income tax	6	<u>(5,683)</u>	<u>(22,069)</u>
Profit for the year		<u>33,609</u>	<u>99,603</u>

	<i>Note</i>	2021 RMB'000	2020 RMB'000 <i>Restated</i>
Other comprehensive income for the year			
(after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income (“FVOCI”) — net movement in fair value reserves (non-recycling)		(1,070)	690
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>(7,707)</u>	<u>(4,253)</u>
Other comprehensive income for the year		<u>(8,777)</u>	<u>(3,563)</u>
Total comprehensive income for the year		<u>24,832</u>	<u>96,040</u>
Profit for the year attributable to:			
Equity shareholders of the Company		35,466	92,581
Non-controlling interests		<u>(1,857)</u>	<u>7,022</u>
Profit for the year		<u>33,609</u>	<u>99,603</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		26,689	89,018
Non-controlling interests		<u>(1,857)</u>	<u>7,022</u>
Total comprehensive income for the year		<u>24,832</u>	<u>96,040</u>
Earnings per share	7		
Basic and diluted (<i>RMB</i>)		<u>0.0356</u>	<u>0.1159</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in RMB)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i> <i>Restated</i>
Non-current assets			
Investment properties		14,868	14,638
Property, plant and equipment		11,615	7,814
Intangible assets		40,506	7,017
Goodwill		181,696	–
Interest in joint ventures		47	744
Interest in an associate		–	1,882
Other financial assets		5,493	6,920
Deferred tax assets		34,198	12,574
		<hr/> 288,423	<hr/> 51,589
		<hr/> 288,423	<hr/> 51,589
Current assets			
Inventories		813	795
Contract assets		28,338	28,627
Trade and other receivables	8	425,017	307,155
Financial assets measured at fair value through profit or loss (“FVPL”)		97,587	89,099
Restricted cash		21,870	2,449
Cash and cash equivalents		495,826	734,040
		<hr/> 1,069,451	<hr/> 1,162,165
		<hr/> 1,069,451	<hr/> 1,162,165

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>Restated</i>
Current liabilities			
Trade and other payables	9	323,665	256,709
Contract liabilities		274,862	278,331
Bank loans		20,508	–
Current taxation		16,963	4,304
Contingent consideration — current portion		5,812	–
		641,810	539,344
Net current assets		427,641	622,821
Total assets less current liabilities		716,064	674,410
Non-current liabilities			
Deferred tax liabilities		8,842	995
Contingent consideration — non-current portion		33,702	–
		42,544	995
NET ASSETS		673,520	673,415
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		637,477	652,856
Total equity attributable to equity shareholders of the Company		637,478	652,857
Non-controlling interests		36,042	20,558
TOTAL EQUITY		673,520	673,415

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL

The Company was incorporated in the Cayman Islands on 20 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 October 2020 (the "**Listing**"). The Group are principally engaged in the provision of property management services, services in the area of green living solutions and value-added services in the People's Republic of China (the "**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements of First Service Holding Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirement of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in the consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries and the Group's interest in an associate and joint ventures.

As mentioned in Note 11(a), on 28 April 2021, the Group acquired the entire equity interests in First Real Estate Brokerage Co., Ltd and its subsidiaries (collectively, the "First Real Estate Brokerage Group"). Immediately before and after the acquisition, the Group and First Real Estate Brokerage Group are under the control of Mr Zhang Lei. The control is not transitory and, consequently, there is a continuation of the risks and benefits to Mr Zhang Lei. Accordingly, the acquisition is treated as a business combination under common control. These financial statements have been prepared using the merger basis of accounting as if the acquisition was completed and First Real Estate Brokerage Group had been combined at the beginning of the comparative period. The comparative financial statements have been represented.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment property
- financial instruments classified as financial assets measured at FVPL or FVOCI
- contingent consideration

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The functional currency of the Company and the Company's subsidiaries outside the mainland China is Hong Kong dollars (“HK\$”). The consolidated financial statements are presented in RMB as all of the Group's operations are conducted by the Company's subsidiaries established in the mainland China and the functional currency of which is RMB.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to the consolidated financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to the IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of these developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented on this consolidated financial statement.

3 REVENUE AND SEGMENT REPORTING

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, disaggregation of revenue from contracts with customers by major products and service lines, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	First Property Management		First Living		Total	
	2021	2020	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i> <i>Restated</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>Restated</i>
Disaggregated by timing of revenue recognition						
Revenue recognised over time	1,027,806	680,911	87,870	93,315	1,115,676	774,226
Revenue recognised at point in time	–	–	16,678	13,468	16,678	13,468
Reportable segment revenue	1,027,806	680,911	104,548	106,783	1,132,354	787,694
Disaggregated by major products or service lines						
— Property management services	611,076	321,649	–	–	611,076	321,649
— Green living solutions	103,852	97,825	104,548	106,783	208,400	204,608
— Value-added services	312,878	261,437	–	–	312,878	261,437
Reportable segment revenue	1,027,806	680,911	104,548	106,783	1,132,354	787,694
Reportable segment profit/(loss)	93,678	99,401	(52,305)	22,123	41,373	121,524
Interest income	2,748	5,415	40	79	2,788	5,494
Interest expense	–	–	459	235	459	235
Depreciation and amortisation for the year	6,981	2,979	707	511	7,688	3,490
Impairment of intangible assets	–	–	11,498	–	11,498	–
Expected credit losses — trade receivables and contract assets	70,587	9,051	42,548	1,185	113,135	10,236
Reportable segment assets	1,019,311	760,113	122,423	124,289	1,141,734	884,402
Reportable segment liabilities	622,717	508,283	92,884	51,627	715,601	559,910

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>Restated</i>
Revenue		
Reportable segment revenue	1,132,354	787,694
Elimination of inter-segment revenue	<u>(12,485)</u>	<u>(12,327)</u>
Consolidated revenue	<u><u>1,119,869</u></u>	<u><u>775,367</u></u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>Restated</i>
Reportable segment profit		
Reportable segment profit	41,373	121,524
Unallocated head office and corporate (expenses)/profit before taxation	<u>(2,081)</u>	<u>148</u>
Consolidated profit before taxation	<u><u>39,292</u></u>	<u><u>121,672</u></u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>Restated</i>
Assets		
Reportable segment assets	1,141,734	884,402
Unallocated head office and corporate assets	523,480	575,502
Elimination of inter-segment balances	<u>(307,340)</u>	<u>(246,150)</u>
Consolidated total assets	<u><u>1,357,874</u></u>	<u><u>1,213,754</u></u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>Restated</i>
Liabilities		
Reportable segment liabilities	715,601	559,910
Unallocated head office and corporate liabilities	3	–
Elimination of inter-segment balances	<u>(31,250)</u>	<u>(19,571)</u>
Consolidated total liabilities	<u><u>684,354</u></u>	<u><u>540,339</u></u>

4 OTHER NET INCOME

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i> <i>Restated</i>
Interest income	<i>(i)</i>	4,528	5,850
Government grants	<i>(ii)</i>	15,519	16,404
Net realised gains on financial assets measured at FVPL		1,748	2,846
Fair value gain of investment properties		230	234
Net valuation gains on financial assets measured at FVPL		667	590
Net (loss)/gain on disposal of property, plant and equipment		(64)	4
Gain/(loss) on disposal of subsidiaries		88	(176)
Gain on disposal of an associate and joint ventures		362	–
Fair value loss of contingent consideration		(1,126)	–
Gain on acquisitions of subsidiaries		702	–
Others		137	1,032
		22,791	26,784

Notes:

- (i) The interest income represents the interest from cash at bank.
- (ii) The government grants represent subsidies from various PRC authorities. There are no unfulfilled conditions or future obligations attached to these subsidies.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	2021 RMB'000	2020 <i>RMB'000</i> <i>Restated</i>
Salaries, wages and other benefits	337,485	213,313
Contributions to defined contribution retirement plan	43,254	12,207
Termination benefits	1,997	–
	382,736	225,520

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. According to the notice of concerning extending the period for implementing policies of temporary relief of social insurance contributions for enterprises issued by Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, enterprises' contributions to the basic pension insurance, unemployment insurance and work-related injury insurance have been temporarily exempted and reduced in 2020.

Contributions to the retirement scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contributions. The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(b) Other items

	2021	2020
	RMB'000	<i>RMB'000</i>
		<i>Restated</i>
Amortisation cost of intangible assets	4,046	1,366
Depreciation charge		
— owned property, plant and equipment	3,642	2,124
Impairment loss on operating rights	11,498	—
Auditors' remuneration		
— audit services	2,800	1,415
— non-audit services	570	—
Listing expenses	—	26,797
Cost of inventories	8,397	8,514
Lease expenses		
— short-term leases	2,848	3,619

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2021	2020
	RMB'000	<i>RMB'000</i>
		<i>Restated</i>
Current tax — PRC Corporate Income Tax		
Provision for the year	27,872	22,506
Deferred tax		
Origination and reversal of temporary differences	(21,815)	(437)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(374)	—
	5,683	22,069

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021	2020
	RMB'000	RMB'000
		<i>Restated</i>
Profit before taxation	39,292	121,672
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	9,823	30,418
Tax effect of PRC preferential tax (<i>note (ii)</i>)	(5,463)	(9,200)
Tax effect of non-deductible expenses	1,951	771
Tax effect of tax losses not recognised	399	753
Tax effect of utilisation of tax losses not recognised in previous years	(653)	(673)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(374)	–
	5,683	22,069

Notes:

- (i) Pursuant to the tax rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax rate applicable to the Group’s subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the reporting period was 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the reporting period (2020: Nil).

The Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax (“**EIT**”) at 25%.

- (ii) Certain subsidiaries have been approved as High and New Technology Enterprise (“**HNTE**”) and entitled to a preferential income tax rate of 15% during the reporting period. The HNTE certificate needs to be renewed every three years.

Certain subsidiaries have been approved as Small Low-profit Enterprises. The entitled subsidiaries were subject to a preferential income tax rate of 2.5% to 10% during the reporting period.

Pursuant to the notice of the State Council on promulgation of several policies for further encouraging the development of software and integrated circuit industries, a subsidiary has been entitled to EIT exemptions for two years followed by a 50% EIT reduction of the statutory EIT rates for three years, starting from its first profit-making year.

7 EARNINGS PER SHARE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profits		
Profit attributable to equity shareholders of the Company	<u>35,466</u>	<u>92,581</u>
	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares (<i>note (i)</i>)	<u>996,081</u>	<u>798,497</u>

Notes:

- (i) Weighted average of 996,081,000 ordinary shares for the year ended 31 December 2021 includes the effect of shares held by the employee share trusts. Weighted average of 798,497,000 ordinary shares for the year ended 31 December 2020, includes the weighted average of 250,000,000 ordinary shares issued immediately after the completion of placing, in addition to the 750,000,000 ordinary shares, being the number of shares in issue immediately after the completion of capitalization issue in October 2020 deemed to have been issued throughout the year ended 31 December 2020.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares for the years ended 31 December 2021 and 2020.

8 TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>Restated</i>
Trade receivables from third parties	309,796	182,477
Less: ECL allowance	(71,702)	(47,980)
	238,094	134,497
Trade receivables from related parties	166,166	124,011
Less: ECL allowance	(66,633)	–
	99,533	124,011
Total trade receivables	337,627	258,508
Deposits and prepayments	34,898	19,415
Payments on behalf of property owners	19,989	4,223
Value added tax prepaid	10,249	9,526
Other receivables	22,878	16,107
Less: ECL allowance for other receivables	(624)	(624)
Other receivables	22,254	15,483
	425,017	307,155

Trade receivables are primarily related to revenue generated from property management and services in the area of green living solutions.

(a) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivable based on the date of revenue recognition which is the same as the due date, and net of allowance for ECLs of trade receivables is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>Restated</i>
Within 1 year	242,113	193,586
1 to 2 years	67,797	56,334
2 to 3 years	21,646	5,716
3 to 4 years	4,245	2,632
4 to 5 years	1,800	240
Over 5 years	26	–
	<u>337,627</u>	<u>258,508</u>

Trade receivables are due when the receivables are recognised.

(b) ECL allowance for trade receivables

The movements in the ECL allowance for trade receivables during the reporting period are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>Restated</i>
As at 1 January	47,980	37,876
Credit loss reversed	(11,267)	(11,459)
Credit loss recognised	106,869	21,886
Written-off	(7,650)	(73)
Effect on disposal of subsidiaries	–	(250)
Effect on acquisition of subsidiaries	2,403	–
	<u>138,335</u>	<u>47,980</u>

9 TRADE AND OTHER PAYABLES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>Restated</i>
Trade payables	111,867	77,589
Amounts due to related parties	6,932	15,165
Other taxes and charges payable	19,781	11,570
Accrued payroll and other benefits	42,206	34,768
Deposits	61,701	44,826
Interest payable	125	–
Other payables and accruals	81,053	72,791
	<u>323,665</u>	<u>256,709</u>

All the trade and other payables (including amounts due to related parties) are expected to be settled within 1 year or are repayable on demand.

As of the end of each reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>Restated</i>
Within 1 year	90,211	74,974
1 to 2 years	19,548	2,164
2 to 3 years	1,698	209
Over 3 years	410	242
	<u>111,867</u>	<u>77,589</u>

10 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HK6.77 cents (2020: HK3.97 cents) per ordinary share	<u>55,033</u>	<u>33,190</u>

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.97 cents per share (2020: HK\$ Nil)	<u>33,190</u>	<u>–</u>

11 BUSINESS COMBINATIONS

(a) Business combination under common control

On April 2021, First Property Management entered into a sale and purchase agreement with First Assets pursuant to which First Property Management acquired the entire equity interests in First Real Estate Brokerage Co., Ltd and its subsidiaries (collectively, the “**First Real Estate Brokerage Group**”), with a cash consideration of RMB2,320,000 (the “**Acquisition**”). The Acquisition was completed on 28 April 2021, upon then First Real Estate Brokerage Group became wholly-owned subsidiaries of the Group.

The Acquisition was considered as a business combination under common control as the Group and First Real Estate Brokerage Group are both ultimately controlled by Mr. Zhang Lei at the acquisition date.

As a result, the Group has restated the 2020 comparative amounts of the consolidated statement of profit or loss and other comprehensive income of the Group by including the operating results of First Real Estate Brokerage Group and eliminating its transactions with the First Real Estate Brokerage Group, as if the acquisition had been completed on the earliest date of the period being presented. The consolidated statement of financial position of the Group as at 31 December 2020 was restated to include the assets and liabilities of First Real Estate Brokerage Group.

(b) Business combination from third parties

In April 2021, the Group acquired 80% of the equity interest in Dalian Yahang from a third party, and 100% of the equity interest in Qingdao Luohang from another third party, obtaining control of Dalian Yahang and Qingdao Luohang.

In July 2021, the Group acquired 100% of the equity interest in Huangshi Tailefeng Property Service Co., Ltd. (黃石泰豐物業服務有限公司) (“**Huangshi Tailefeng**”), and 51% of the equity interest in Shaoyang Fusheng Property Management Co., Ltd (邵陽富晟物業管理有限公司) (“**Shaoyang Fusheng**”) from third parties, subsequent to which Huangshi Tailefeng and Shaoyang Fusheng has become subsidiaries of the Group.

The above acquirees are engaged in the provision of property management services. The business combinations were made as part of the Group’s strategy to expand its market share of property management operation in the PRC.

BUSINESS REVIEW AND OUTLOOK

Overview

We provide property management services that promote comfortable living through technological innovation and green living solutions that cover the full property life-cycle. While catering to all stages of the property life cycle, we strive to provide customers with digitally connected, green and healthy living experiences in residential and non-residential properties. As of 31 December 2021, we had contracted to provide property management services in 103 cities across 25 provinces and municipalities in China.

We witnessed both opportunities and challenges in the year ended 31 December 2021. Revenue increased by approximately 44.4% from RMB775.4 million (restated) for the year ended 31 December 2020 to RMB1,119.9 million for the year ended 31 December 2021 primarily due to the increase in our GFA under management by approximately 172.9% from 19.1 million sq.m. as of 31 December 2020 to 52.1 million sq.m. as of 31 December 2021.

Our profit for the year decreased by approximately 66.3% from RMB99.6 million (restated) for the year ended 31 December 2020 to RMB33.6 million for the year ended 31 December 2021 primarily because the Group recognized significant expected credit loss allowances for certain receivables due from customers from real estate sector in view of the general downturn of the real estate market in the PRC in the second half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

We generate revenue primarily through our three business lines, namely (i) property management services, (ii) green living solutions and (iii) value-added services. Our revenue increased by 44.4% from RMB775.4 million (restated) for the year ended 31 December 2020 to RMB1,119.9 million for the year ended 31 December 2021.

Property Management Services

Our property management services consist of cleaning, security, gardening and repair and maintenance services provided to property developers, property owners and residents. Revenue from our property management services increased by approximately 90.0% from RMB321.6 million for the year ended 31 December 2020 to RMB611.1 million for the year ended 31 December 2021. This increase was primarily attributable to the increase in our GFA under management of approximately 172.9% from 19.1 million sq.m. as of 31 December 2020 to 52.1 million sq.m. as of 31 December 2021, mainly resulting from the significant increase in the number of property management projects sourced from third parties, from 52 as of 31 December 2020 to 383 as of 31 December 2021, mainly due to (i) our acquisitions of Dalian Yahang Property Management Co., Ltd.* (大連亞航物業管理有限公司) (“**Dalian Yahang**”) and Qingdao Luohang Enterprises Management Co., Ltd* (青島洛航企業管理有限公司) (“**Qingdao Luohang**”) in 2021 and (ii) increase in our independent business development efforts.

The Group’s type of properties under management became more diverse and its business portfolio was further optimized. The following table sets forth a breakdown of our total number of contracted property management projects, projects under management, our contracted GFA and GFA under management by property type as of the dates indicated or for the periods indicated:

	As of or for the year ended 31 December											
	2021			2020			2020					
	No. of contracted projects	Contracted GFA sq.m.'000	%	No. of projects under management	GFA under management sq.m.'000	%	No. of contracted projects	Contracted GFA sq.m.'000	%	No. of projects under management	GFA under management sq.m.'000	%
Residential properties	245	49,087	66.3	162	27,917	53.6	204	35,159	94.4	109	17,603	92.3
Public properties	105	7,229	9.8	104	6,962	13.4	10	1,084	2.9	9	950	5.0
Commercial and other properties	189	17,706	23.9	185	17,179	33.0	18	1,011	2.7	13	525	2.8
Total	<u>539</u>	<u>74,022</u>	<u>100.0</u>	<u>451</u>	<u>52,058</u>	<u>100.0</u>	<u>232</u>	<u>37,254</u>	<u>100.0</u>	<u>131</u>	<u>19,078</u>	<u>100.0</u>

* For identification purposes only

The table below sets forth a breakdown of our total number of property management projects under management and GFA under management as of the dates indicated or for the periods indicated, by project source:

	As of or for the year ended 31 December					
	2021			2020		
	No. of projects under management	GFA under management '000 sq.m.	%	No. of projects under management	GFA under management '000 sq.m.	%
Modern Land (China) Co., Limited (當代置業(中國)有限公司) and its subsidiaries (“Modern Land Group”)	63	13,841	26.6	72	10,651	55.8
Other associates of our controlling shareholders ⁽¹⁾	5	386	0.7	7	1,230	6.4
Third parties	383	37,831	72.7	52	7,197	37.8
Total	<u>451</u>	<u>52,058</u>	<u>100.0</u>	<u>131</u>	<u>19,078</u>	<u>100.0</u>

Note:

- (1) Includes projects sourced from other associates of our controlling shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) (excluding Modern Land Group), namely Modern Investment Group Co., Ltd. and Super Land Holdings Limited and each of their respective subsidiaries and 30%-controlled companies (as defined under the Listing Rules).

We were also able to increase our contracted GFA sourced from third parties at high speed. The table below sets forth a breakdown of the number of our contracted projects, contracted GFA and undelivered GFA as of the dates indicated and for the periods indicated, by project source:

	As of or for the year ended 31 December									
	2021					2020				
	No. of contracted projects	Contracted GFA		Undelivered GFA		No. of contracted projects	Contracted GFA		Undelivered GFA	
	<i>sq.m.'000</i>	%	<i>sq.m.'000</i>	%		<i>sq.m.'000</i>	%	<i>sq.m.'000</i>	%	
Modern Land Group	94	23,263	31.4	9,422	42.9	108	17,685	47.5	7,034	38.7
Other associates of our controlling shareholders	14	3,439	4.6	3,053	13.9	21	3,827	10.3	2,597	14.3
Third parties	431	47,320	63.9	9,488	43.2	103	15,742	42.2	8,545	47.0
Total	<u>539</u>	<u>74,022</u>	<u>100.0</u>	<u>21,963</u>	<u>100.0</u>	<u>232</u>	<u>37,254</u>	<u>100.0</u>	<u>18,176</u>	<u>100.0</u>

Green Living Solutions

We provide green living solutions to property developers, property owners and residents, comprising (i) energy operation services, where we operate energy stations to provide central heating and cooling as an alternative to government-operated centralized heating systems; (ii) green technology consulting and systems installation services, where we design and install energy systems and energy stations to enhance indoor comfort; and (iii) sales of our self-developed AIRDINO systems, which singly combine fresh air ventilation, air conditioning, purification and humidification control capabilities and offer an efficient alternative to the purchase and installation of multiple devices.

The following table sets forth our revenue from green living solutions by service category for the periods indicated:

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Energy operation services	115,276	58.8	101,918	52.7
Systems installation services	54,182	27.7	50,361	26.0
Green technology consulting services	9,801	5.0	27,725	14.3
Sales of AIRDINO systems	16,656	8.5	13,467	7.0
Total	<u>195,915</u>	<u>100.0</u>	<u>193,471</u>	<u>100.0</u>

Revenue generated from our green living solutions increased by approximately 1.2% from RMB193.5 million for the year ended 31 December 2020 to RMB195.9 million for the year ended 31 December 2021. Such increase was primarily attributable to (i) the increase in revenue from energy operation services of 13.1% as a result of the increase in GFA under management in 2021 and (ii) the increase in revenue from system installation services and sales of AIRDINO systems of 7.6% and 23.7%, respectively, as the existing projects were less affected by market conditions considering their relatively long service periods. The above increase was partially offset by the decrease in revenue from green technology consulting services of 64.6% due to the general downturn of the real estate market in the PRC in the second half of 2021.

Value-Added Services

We primarily provide five types of value-added services to non-property owners, property owners and residents, namely (i) sales assistance services, (ii) parking space management services, (iii) home living services, (iv) communal area leasing services, and (v) preliminary planning and design consultancy services.

The following table sets forth our revenue from value-added services by service type for the periods indicated:

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
			(Restated)	
Value-added services to non-property owners				
Sales assistance services	138,777	44.4	135,214	52.0
Preliminary planning and design consultancy services	14,428	4.6	4,163	1.6
Subtotal	153,205	49.0	139,377	53.6
Community value-added services				
Parking space management services	63,141	20.1	49,782	19.1
Home living services	81,549	26.1	60,981	23.4
Communal area leasing services	14,983	4.8	10,106	3.9
Subtotal	159,673	51.0	120,869	46.4
Total	312,878	100.0	260,246	100.0

Revenue generated from our value-added services increased by approximately 20.2% from RMB260.2 million (restated) for the year ended 31 December 2020 to RMB312.9 million for the year ended 31 December 2021. This increase was primarily due to the increase in GFA under management.

Cost of Sales

Our cost of sales increased by approximately 54.5% from RMB507.9 million (restated) for the year ended 31 December 2020 to RMB784.5 million for the same period in 2021. This increase was primarily in line with our business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 25.4% from RMB267.5 million (restated) for the year ended 31 December 2020 to RMB335.4 million for the same period in 2021.

Our gross profit margin decreased from 34.5% for the year ended 31 December 2020 to 29.9% for the same period in 2021.

Our gross profit margin of our property management services decreased from 27.0% for the year ended 31 December 2020 to 23.8% for the same period in 2021. Such decrease was primarily attributable to our acquisitions of Dalian Yahang and Qingdao Luohang, which resulted in the increase in the number of our property management projects for public properties which have relatively lower gross profit margins compared with our property management projects for other types of properties.

Our gross profit margin of our green living solutions decreased from 33.8% for the year ended 31 December 2020 to 29.1% for the same period in 2021, which was primarily due to (i) a decrease in gross profit margin of energy operation services as a result of higher raw material prices and longer heating period and (ii) a decrease in revenue contribution from green technology consulting services, which have a relatively higher gross profit margin compared with our other service lines, attributable to the general downturn of the real estate market in the PRC in the second half of 2021.

Our gross profit margin of our value-added services decreased from 44.3% (restated) for the year ended 31 December 2020 to 42.5% for the same period in 2021, which was primarily due to the decrease in gross profit margin of sales assistance services as a result of the general downturn of the real estate market in the PRC in the second half of 2021.

Other Net Income

Our other net income decreased by approximately 14.9% from RMB26.8 million (restated) for the year ended 31 December 2020 to RMB22.8 million for the year ended 31 December 2021. This decrease was primarily attributable to (i) a decrease in interest income of RMB1.3 million due to reduced cash balance resulting from acquisitions of Dalian Yahang and Qingdao Luohang, (ii) a decrease in net realised gain on financial assets measured at fair value through profit or loss of RMB1.1 million, and (iii) fair value loss of contingent consideration relating to acquisitions of RMB1.1 million.

Selling Expenses

Our selling expenses increased by approximately 89.6% from RMB9.6 million (restated) for the year ended 31 December 2020 to RMB18.2 million for the year ended 31 December 2021, in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by approximately 22.8% from RMB151.9 million (restated) for the year ended 31 December 2020 to RMB186.5 million for the year ended 31 December 2021, primarily attributable to (i) our business expansion and (ii) an increase in staff costs following our acquisitions of Dalian Yahang and Qingdao Luohang.

Expected Credit Loss on Trade Receivables and Contract Assets

Our expected credit loss on trade receivables and contract assets increased significantly by approximately 1,008.8% from RMB10.2 million (restated) for the year ended 31 December 2020 to RMB113.1 million for the year ended 31 December 2021. This increase was primarily due to the recognition of the expected credit loss allowances for certain receivables due from customers from real estate sector as a result of the general downturn of the real estate market in the PRC in the second half of 2021.

Income Tax

Our income tax decreased by approximately 74.2% from RMB22.1 million (restated) for the year ended 31 December 2020 to RMB5.7 million for the year ended 31 December 2021. This decrease was primarily attributable to the decrease in our profit before tax as a result of the significant increase in expected credit loss on trade receivables and contract assets.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 66.3% from RMB99.6 million (restated) for the year ended 31 December 2020 to RMB33.6 million for the year ended 31 December 2021.

Trade and Other Receivables

As of 31 December 2021, trade and other receivables amounted to RMB425.0 million, representing an increase of 38.3% as compared with RMB307.2 million in 2020 (restated), primarily due to business expansion and increase of revenue.

Trade and Other Payables

As of 31 December 2021, trade and other payables amounted to RMB323.7 million, representing an increase of 26.1% as compared with RMB256.7 million (restated) in 2020, primarily due to (i) our business expansion and (ii) the improvement of our supply chain management in respect of supplier selection and approval of payments in pursuit of more flexible credit terms.

Goodwill

As of 31 December 2021, our goodwill amounted to RMB181.7 million, primarily attributable to the synergies and expected efficiencies from integrating the companies (including Dalian Yahang and Qingdao Luohang) into Group's existing property management business which is expected to help the Group become a more efficient and effective competitor in China.

Contingent Consideration

As of 31 December 2021, the Group had contingent consideration totaling RMB39.5 million which may arise from the performance undertaking provisions of acquisitions of Dalian Yahang and Qingdao Luohang. For details, please refer to the announcements of the Company dated 10 March 2021 and 30 March 2021.

Capital Structure

Our total assets increased from RMB1,213.8 million (restated) as of 31 December 2020 to RMB1,357.9 million as of 31 December 2021. Our total liabilities increased from RMB540.3 million (restated) as of 31 December 2020 to RMB684.4 million as of 31 December 2021. Liabilities-to-assets ratio increased from 44.5% as of 31 December 2020 to 50.4% as of 31 December 2021.

The current ratio, being current assets divided by current liabilities as of the respective date, decreased from 2.15 as of 31 December 2020 to 1.67 as of 31 December 2021.

Liquidity, Capital Resources and Gearing

For the year ended 31 December 2021, we financed our operations primarily through internal resources, bank borrowings and the proceeds from the global offering of the Company's shares in connection with the Listing (the "**Global Offering**"). We mainly utilized our cash on payments on staff costs, purchases for services and materials and other working capital needs. Our cash and cash equivalents decreased by 32.5% from RMB734.0 million (restated) as of 31 December 2020 to RMB495.8 million as of 31 December 2021, primarily attributable to cash used in acquisitions of Dalian Yahang and Qingdao Luohang.

Our gearing ratio, being total interest-bearing borrowings divided by total equity, increased from nil as of 31 December 2020 to 3.0% as of 31 December 2021, primarily due to the newly obtained short-term borrowings in 2021.

Capital Expenditures

Our capital expenditure increased by 126.3% from RMB3.8 million (restated) for the year ended 31 December 2020 to RMB8.6 million for the same period in 2021. Our capital expenditure was used primarily for the purchase of office and other equipment and software. We financed our capital expenditure primarily through our cash flow generated from operating activities.

Indebtedness

Bank Loans

As of 31 December 2021, all of our bank loans of RMB20.5 million (as of 31 December 2020: nil) were repayable within one year or on demand and were guaranteed.

As of 31 December 2021, banking facilities of the Group totaling RMB24.0 million (as of 31 December 2020: nil) were utilized to the extent of RMB20.5 million (as of 31 December 2020: nil).

Contingent Liabilities

As of 31 December 2021, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that were likely to have a material and adverse effect on our business, financial condition or results of operations.

Final Dividend

The Board has recommended the payment of a final dividend of HK6.77 cents per share for the year ended 31 December 2021, being HK\$67.7 million in aggregate (for the year ended 31 December 2020: HK3.97 cents per share, being HK\$39.7 million in aggregate). Subject to the approval of shareholders of the Company (the “**Shareholders**”) at the annual general meeting to be held on Tuesday, 21 June 2022 (the “**AGM**”), the final dividend is expected to be paid on Tuesday, 12 July 2022 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 29 June 2022.

Pledge of Assets

As of 31 December 2021, the Group did not have any pledge on its assets.

Significant Events After the Reporting Period

As disclosed in the announcement of the Company dated 3 January 2022, the possible unconditional mandatory cash offer by Somerley Capital Limited for and on behalf of Sunac Services Investment III Limited to acquire all the issued shares of the Company (other than those already owned by or agreed to be acquired by Sunac Services Investment III Limited and parties acting in concert with it (except Mr. Zhang Lei, Mr. Zhang Peng, Glorious Group Holdings Limited and Hao Fung Investment Limited)) was lapsed as certain conditions precedent set out in the CS Share Transfer Framework Agreement (as defined in the announcement of the Company dated 3 January 2022) (the “**Agreement**”) have not been satisfied on or before 31 December 2021. The Agreement was automatically terminated on 31 December 2021, and the Management Share Transfer Agreement (as defined in the announcement of the Company dated 3 January 2022) and CDH Share Transfer Agreement (as defined in the announcement of the Company dated 3 January 2022) were terminated accordingly. For details, please refer to the announcement of the Company dated 3 January 2022.

In January 2022, a subsidiary of the Group entered into a sale and purchase agreement with a third party to dispose of a 20-year energy operating right at zero consideration to cut losses as the relevant energy operation project was loss-making. The said 20-year energy operating right was acquired by the Group in July 2021 at a consideration of RMB12.5 million as disclosed in the interim report of the Group for the six months ended 30 June 2021. The disposal has been completed in January 2022.

Except as disclosed in this announcement, there are no material events subsequent to 31 December 2021 which could have a material impact on our operating and financial performance as of the date of this announcement.

Foreign Exchange Risk and Hedging

The Group mainly operates in mainland China with most of the transactions denominated and settled in Renminbi. The Group has not hedged its foreign currency exchange risks, but will closely monitor the exposure and will take measures when necessary to make sure the foreign exchange risks are manageable.

Material Acquisitions and Future Plans for Major Investment

On 10 March 2021, First Property Service (Beijing) Co., Ltd. (“**First Property Beijing**”), an indirect wholly-owned subsidiary of the Company, Dalian Yahang, Mr. Bai Ding, Dalian Chunhui Enterprise Management Service Centre and Beijing Tonghe Property Management Co., Ltd. entered into an equity transfer agreement, pursuant to which First Property Beijing has agreed to acquire 80% equity interest in Dalian Yahang at a total consideration of RMB93,200,160. For details, please refer to the announcement of the Company dated 10 March 2021.

On 30 March 2021, First Property Beijing, Shanghai Lijin Architect Design Firm and Shanghai Luomiao Architectural Engineering Design Center, Weihai Shangcheng Information Consultancy Co., Ltd., Ms. Wang Zhilan, Qingdao Luohang, Shandong Shangcheng Property Services Co., Ltd., Qingdao Shangcheng Property Services Co., Ltd. and Liaocheng Shangcheng Property Services Co., Ltd. entered into the equity transfer agreements, pursuant to which First Property Beijing has agreed to acquire 100% equity interest in Qingdao Luohang at a total consideration of RMB135,800,000. For details, please refer to the announcement of the Company dated 30 March 2021.

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of the Company dated 12 October 2020 (the “**Prospectus**”), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Annual General Meeting

The AGM of the Company will be held on Tuesday, 21 June 2022. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement of the Shareholders to attend the AGM, the register of members of the Company will be closed from Thursday, 16 June 2022 to Tuesday, 21 June 2022 (both days inclusive). To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at 54th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 15 June 2022.

For determining the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will also be closed from Monday, 27 June 2022 to Wednesday, 29 June 2022 (both days inclusive). To be eligible to receive the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at 54th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 June 2022.

Company Information

The Company was incorporated in the Cayman Islands on 20 January 2020 as an exempted company with limited liability, and the shares of which were listed on the Main Board of the Stock Exchange on 22 October 2020.

Employees

As of 31 December 2021, we had a total of 3,618 employees, all of whom were based in China.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and discretionary bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

We believe that long-term sustainable development of our employees is an important factor to the long-term growth of the Group's performance. We implemented the "Talented Apprentice" (匠才生) recruitment and training scheme to recruit fresh graduates with bachelor's degree and above, so as to provide the Company with long-term core talent pools, the "Talented Leaders Scheme" (將才計劃) to hunt for and bring in mature business and management talents from external source, the "Starlight Training Scheme" (星光培訓計劃) to guarantee the provision of systematic training for the promotion of internal staff, and the "Star Rating Scheme" (星級評定計劃) to attract external talents and retain internal outstanding employees by constructing a differentiated salary system. We also initiated the "Feng He Scheme" (風禾計劃) to attach importance to the self-improvement of senior managements and executives of the Company and lay a solid foundation for the management of the Company, so as to maintain a rapid and healthy development for our Company.

Use of Proceeds

The Company was listed on the Stock Exchange on 22 October 2020. The net proceeds from the Global Offering amounted to approximately HK\$571.2 million, which are intended to be applied in compliance with the intended use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The following table sets forth the status of the use of net proceeds from the Global Offering⁽¹⁾:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the Global Offering	Amount of used proceeds as of 31 December 2021 <i>(In HK\$ millions)</i>	Amount of unused proceeds balance as of 31 December 2021	Timeframe for the unused balance
Strategic acquisitions or investments in property management companies	50.0	285.6	198.0	87.6	By the end of 2023
Invest in energy operation projects and obtain energy operation rights	20.0	114.2	–	114.2	By the end of 2023
Research and develop green technologies	5.0	28.6	–	28.6	By the end of 2023
Upgrade AIRDINO No. 1 and No. 2	1.0	5.7	–	5.7	By the end of 2023
Upgrade AIRDINO No. 3	2.0	11.4	–	11.4	By the end of 2023
Research cross-seasonal energy storage capabilities in connection with ground-source heat pump systems	0.75	4.3	–	4.3	By the end of 2023
Research automated means of operating energy stations through IoT systems, big data and AI technologies	1.25	7.1	–	7.1	By the end of 2023
Develop our intelligent community and enhance our Information technology systems	10.0	57.1	–	57.1	By the end of 2023
Upgrade our internal systems	2.8	16.0	–	16.0	By the end of 2023
Develop our intelligent community	7.2	41.1	–	41.1	By the end of 2023
Attracting and nurturing talent	5.0	28.6	–	28.6	–
Expand hiring and recruitment initiatives under our “Talented Leaders Scheme” (將才計劃) and “Talented Apprentice Scheme” (匠才生計劃)	4.175	23.8	–	23.8	–
Supplement our existing training programs	0.825	4.7	–	4.7	–
General business operations and working capital	10.0	57.1	5.2	51.9	–
Total	100.0	571.2	203.2	368.0	By the end of 2023

Note:

1. The figures in the table are approximate figures.
2. To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plans as intended, we may hold such funds in short-term deposits or money market instruments so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Effects of the Resurgence of COVID-19

Since the outbreak of COVID-19 in 2020, our management has not only closely monitored the effects on operational and financial performance of our Group as a result of COVID-19, but also proactively implemented various measures in our property management projects and devoted sufficient resources to prevent transmission of or mitigate exposure to the disease including, among others, setting up control points for temperature screening and COVID-19 testing points to assist governments in management of COVID-19, regularly cleaning and disinfecting common areas, waste disposal units, elevators and ventilator systems in our properties under management, placing hand sanitizers and disposable gloves in public areas and increasing the supply of suitable protective gear for our staff. In 2021, we did not encounter material disruptions to our business operations and supply chain, nor terminations of our property management contracts and green living solutions engagements due to negative impacts of COVID-19. We also did not experience significant labor shortages. As at the date of this announcement, COVID-19 does not have a material adverse impact on the financial position and operating result of the Group.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was conditionally approved and adopted by our Shareholders on 25 September 2020 and its implementation is conditional on the Listing. The purpose of the Share Option Scheme is to provide our Company with a means of incentivizing any director or employee of our Group who has contributed or will contribute to our Group and retaining employees, and to encourage employees to work towards enhancing the value of our Company and promote the long-term growth of our Company. The Share Option Scheme will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company’s corporate culture.

Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 25 September 2020. As of 31 December 2021, no options had been granted or agreed to be granted, and thus no options had been exercised, cancelled or lapsed under the Share Option Scheme. As a result, the total number of shares available for grant under the Share Option Scheme was 100,000,000, representing 10% of the total number of shares in issue of the Company as of 22 October 2020, the date on which the Company's shares were listed on the Stock Exchange.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the “**Share Award Scheme**”) on 10 May 2021 to recognise the contributions by certain Eligible Participants (as defined in the announcement of the Company dated 10 May 2021) and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on 10 May 2021. The Board shall not make any further award of such number of shares as awarded by the Board to a Selected Participant (as defined in the announcement of the Company dated 10 May 2021) which will result in the nominal value of the shares awarded by the Board under the Share Award Scheme being equal to or greater than 10% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. As of 31 December 2021, there were 8,900,000 shares held in trust by the trustee under the Share Award Scheme.

On 29 July 2021, the Company was informed that Cedar Group Management Limited (“**Cedar**”), one of the controlling shareholders of the Company, adopted a share award scheme (the “**Cedar Share Award Scheme**”) for eligible persons in order to retain them for the continuous operation and development of the Group, and to attract suitable personnel for further development of the Group. The award shares will be satisfied by the existing shares of the Company beneficially owned by Cedar and no new Share will be issued by the Company as a result of the grant of award shares under the Cedar Share Award Scheme. As of 31 December 2021, a total of 63,782,250 shares, representing all shares of the Company held by Cedar before the adoption of the Cedar Share Award Scheme which were available for granting, have been granted and vested. Cedar no longer held any share of the Company as of the date of this announcement.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of governance. The Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2021. The Company will continue to review and monitor its corporate governance practice to ensure compliance of the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. After making specific enquiry to all Directors, the Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2021.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Audit Committee and Review of Financial Statements

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Ms. Sun Jing (Chairman), Ms. Zhu Caiqing and Mr. Cheng Peng (with Ms. Sun Jing possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls.

The Audit Committee has discussed with the management and external auditor the accounting principles and policies adopted by the Group, reviewed the annual results for the year ended 31 December 2021 and considered that the annual results have been prepared in accordance with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements and have made appropriate disclosures accordingly.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position as of 31 December 2021, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

Publication of Annual Results and Annual Report 2021

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.firstservice.hk), and the annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By order of the Board
First Service Holding Limited
Zhang Peng
Chairman

Hong Kong, 29 March 2022

As of the date of this announcement, our executive Directors are Mr. Liu Peiqing, Mr. Jia Yan, Mr. Jin Chungang and Ms. Zhu Li, our non-executive Directors are Mr. Zhang Peng and Mr. Long Han, and our independent non-executive Directors are Ms. Sun Jing, Ms. Zhu Caiqing and Mr. Cheng Peng.