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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 UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of First Service Holding Limited (第一服务控股有限公司) (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022, together with comparative figures for the six months ended 30 June 2021.

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2022 — unaudited

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Revenue	3	553,183	508,764
Cost of sales		<u>(414,114)</u>	<u>(337,922)</u>
Gross profit		139,069	170,842
Other income	4	11,033	12,230
Selling expenses		(5,430)	(6,742)
Administrative expenses		(90,833)	(75,204)
Impairment loss on trade and other receivables and contract assets		(19,622)	(7,574)
Finance costs		(1,071)	(19)
Share of loss of an associate		–	(314)
Share of profits of joint ventures		41	15
Profit before taxation	5	<u>33,187</u>	<u>93,234</u>
Income tax	6	<u>(8,042)</u>	<u>(21,481)</u>
Profit for the period		25,145	71,753

	Six months ended 30 June	
<i>Note</i>	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income for the period (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)	60	236
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation into presentation currency of the Group	10,694	(4,692)
Other comprehensive income for the period	10,754	(4,456)
Total comprehensive income for the period	35,899	67,297
Profit attributable to:		
Equity shareholders of the Company	20,708	65,236
Non-controlling interests	4,437	6,517
Profit for the period	25,145	71,753
Total comprehensive income attributable to:		
Equity shareholders of the Company	31,462	60,780
Non-controlling interests	4,437	6,517
Total comprehensive income for the period	35,899	67,297
Earnings per share	<i>7</i>	
Basic and diluted (RMB)	0.0208	0.0653

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited

	At 30 June 2022	At 31 December 2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Investment properties	14,889	14,868
Property, plant and equipment	12,630	11,615
Intangible assets	41,675	40,506
Goodwill	181,696	181,696
Interest in joint ventures	88	47
Other financial assets	5,573	5,493
Deferred tax assets	37,862	34,198
	<u>294,413</u>	<u>288,423</u>
Current assets		
Inventories	844	813
Contract assets	25,034	28,338
Trade and other receivables	493,403	425,017
Financial assets measured at fair value through profit or loss (“FVPL”)	8,369	97,587
Restricted cash	28,056	21,870
Cash and cash equivalents	510,499	495,826
	<u>1,066,205</u>	<u>1,069,451</u>

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Current liabilities			
Trade and other payables	9	411,636	323,665
Contract liabilities		243,706	274,862
Bank loans		136	20,508
Current taxation		7,001	16,963
Contingent consideration — current portion		5,867	5,812
		<u>668,346</u>	<u>641,810</u>
Net current assets		<u>397,859</u>	<u>427,641</u>
Total assets less current liabilities		<u>692,272</u>	<u>716,064</u>
Non-current liabilities			
Deferred tax liabilities		8,419	8,842
Contingent consideration — long-term portion		34,309	33,702
		<u>42,728</u>	<u>42,544</u>
NET ASSETS		<u>649,544</u>	<u>673,520</u>
CAPITAL AND RESERVES			
Share capital	10(b)	1	1
Reserves		609,339	637,477
Total equity attributable to equity shareholders of the Company		<u>609,340</u>	<u>637,478</u>
Non-controlling interests		<u>40,204</u>	<u>36,042</u>
TOTAL EQUITY		<u>649,544</u>	<u>673,520</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

This interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), including compliance with International Accounting Standard (“**IAS**”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“**IASB**”).

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 of the Stock Exchange on 22 October 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs for the current accounting period:

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

None of these developments have had a material effect on how the Group’s results and financial position for the current period have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are property management services, services in the area of green living solutions and value-added services.

(a) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For property management services and energy operation services under the service line of green living solutions, the Group recognises revenue on a monthly basis in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group has elected the practical expedient for not to disclose the remaining performance obligations for this type of contracts. The majority of the property management service contracts and energy operation services under the service line of green living solutions do not have a fixed term.

For sale of goods under the service line of green living solutions, there is no significant unsatisfied performance obligation at the end of the reporting period.

For other services, they are rendered in short period of time and there is no significant unsatisfied performance obligation at the end of the reporting period.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

- **First Property Management:** this segment provides property management services, energy operation services under the service line of green living solutions and value-added services.
- **First Living:** this segment provides green technology consulting service, system installation services and sale of goods under the service line of green living solutions.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and intangible assets, current assets, interests in associates and joint ventures, investments in financial assets and deferred tax assets. Segment liabilities include trade creditors and accruals and contract liabilities attributable to the revenue generating activities of the individual segment and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Assistance provided by one segment to the other, including sharing of assets and technical know-how, is not measure.

The measure used for reporting segment profit is profit before tax.

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 six months ended 30 June 2022 and 2021 is set out below.

For the six months ended 30 June	First Property Management		First Living		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Revenue recognised over time	517,681	452,182	41,147	54,059	558,828	506,241
Revenue recognised at point in time	500	—	1,593	8,307	2,093	8,307
Reportable segment revenue	518,181	452,182	42,740	62,366	560,921	514,548
Disaggregated by major products or service lines						
— Property management services	361,512	242,447	—	—	361,512	242,447
— Green living solutions	61,050	59,788	42,740	62,366	103,790	122,154
— Value-added services	95,619	149,947	—	—	95,619	149,947
Reportable segment revenue	518,181	452,182	42,740	62,366	560,921	514,548
Reportable segment profit/(loss)	33,933	82,317	1,803	10,134	35,570	92,451
Interest income	1,312	1,245	14	17	1,326	1,262
Interest expense	661	—	410	19	1,071	19
Depreciation and amortisation for the period	3,895	2,655	445	221	4,340	2,876
Expected credit losses — trade and other receivables and contract assets	19,907	7,206	285	368	19,788	7,574
As at 30 June/31 December						
Reportable segment assets	1,013,031	1,019,311	126,637	122,423	1,139,768	1,141,734
Reportable segment liabilities	590,612	622,717	95,423	92,884	686,035	715,601

(ii) *Reconciliations of reportable segment revenues and profit or loss*

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	560,921	514,548
Elimination of inter-segment revenue	(7,738)	(5,784)
Consolidated revenue	553,183	508,764
Reportable segment profit/(loss)		
Reportable segment profit	35,736	92,451
Unallocated head office and corporate profit before taxation	(2,549)	783
Consolidated profit before taxation	33,187	93,234
Assets		
Reportable segment assets	1,139,668	1,141,734
Unallocated head office and corporate assets	559,693	523,480
Elimination of inter-segment balances	(338,641)	(307,340)
Consolidated total assets	1,360,720	1,357,874

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Liabilities		
Reportable segment liabilities	686,035	715,601
Unallocated head office and corporate liabilities	76,601	3
Elimination of inter-segment balances	(51,560)	(31,250)
	<hr/>	<hr/>
Consolidated total liabilities	711,076	684,354
	<hr/> <hr/>	<hr/> <hr/>

4 OTHER INCOME

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Interest income	<i>(i)</i>	1,685	2,544
Government grants	<i>(ii)</i>	8,628	8,323
Net realised gain on financial assets measured at FVPL		930	685
Fair value gain of investment properties		21	68
Net valuation gain on financial assets measured at FVPL		104	349
Net losses on disposal of property, plant and equipment		(38)	–
(Gain)/loss on disposal of subsidiaries		41	–
Others		(338)	261
		<hr/>	<hr/>
		11,033	12,230
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The interest income primarily represents the interest from cash at bank with fixed interest rates.
- (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:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation cost of intangible assets	2,722	1,454
Depreciation charge		
— owned property, plant and equipment	1,618	1,422
Expected credit loss		
— trade and other receivables and contract assets	19,622	7,574
Cost of inventories	859	2,994
Lease expenses		
— short-term leases	1,444	1,451

6 INCOME TAX

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax — PRC Corporate Income Tax		
Provision for the period	12,149	23,044
Deferred tax		
Origination and reversal of temporary differences	(4,107)	(1,563)
	<u>8,042</u>	<u>21,481</u>

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit attributable to equity shareholders of the Company of RMB20,708,000 (six months ended 30 June 2021: RMB65,236,000) and the weighted average number of 994,747,000 ordinary shares (six months ended 30 June 2021: 999,675,000 ordinary shares) in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2022	2021
	<i>No. of '000 shares</i>	<i>No. of '000 shares</i>
Issued ordinary shares at 1 January	1,000,000	1,000,000
Effect of shares held by the employee share trusts	(5,253)	(325)
Weighted average number of ordinary shares at 30 June	<u>994,747</u>	<u>99,675</u>

Diluted earnings per share is equal to the basic earnings per share as the Group had no dilutive potential shares for the six months ended 30 June 2022 and 2021.

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade receivables	389,617	309,796
Less: Expected credit loss (“ECL”) allowance	<u>(84,712)</u>	<u>(71,702)</u>
	304,905	238,094
Amounts due from related parties	169,996	166,166
Less: ECL allowance	<u>(70,825)</u>	<u>(66,633)</u>
	99,171	99,533
Total trade receivables	<u>404,076</u>	<u>337,627</u>
Deposits and prepayments	35,525	34,898
Payments on behalf of property owners	29,883	19,989
Value added tax prepaid	7,973	10,249
Other receivables	16,696	22,878
Less: ECL allowance for other receivables	<u>(750)</u>	<u>(624)</u>
Other receivables	<u>15,946</u>	<u>22,254</u>
	<u>493,403</u>	<u>425,017</u>

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

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year	272,870	242,113
1 to 2 years	102,070	67,797
2 to 3 years	22,686	21,646
3 to 4 years	4,825	4,245
4 to 5 years	1,599	1,800
Over 5 years	26	26
	<u>404,076</u>	<u>337,627</u>

9 TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade payables	116,006	111,867
Amounts due to related parties	13,357	6,932
Other taxes and charges payable	21,216	19,781
Dividends payable	57,896	–
Accrued payroll and other benefits	32,310	42,206
Deposits	69,413	61,701
Receipts on behalf of residents/tenants	50,138	53,455
Interest payable	78	125
Other payables and accruals	51,222	27,598
	<u>411,636</u>	<u>323,665</u>

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year	101,765	90,211
1 to 2 years	11,588	19,548
2 to 3 years	2,337	1,698
Over 3 years	316	410
	<u>116,006</u>	<u>111,867</u>

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

During the six months ended 30 June 2022, a final dividend of HKD6.77 cents per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: HKD3.97 cents per share) was declared to the equity shareholders of the Company. The aggregate amount of the final dividend declared during the six months ended 30 June 2022 amounted to HKD67,700,000 (equivalent to RMB57,655,000) (six months ended 30 June 2021: HKD39,700,000, equivalent to RMB33,190,000), which has been fully paid on 12 July 2022.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

(b) Share capital

	At 30 June 2022		At 31 December 2021	
	<i>No. of shares</i>	<i>RMB</i>	<i>No. of shares</i>	<i>RMB</i>
Ordinary shares, issued and fully paid:				
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>1,000,000,000</u>	<u>1,381</u>	<u>1,000,000,000</u>	<u>1,381</u>

(c) Employee share trusts

On 10 May 2021, the Board resolved to adopt the Scheme, a long-term incentive program to eligible persons, 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.

Employee share trusts are established for the purposes of awarding shares to eligible persons (including employees and directors of the Company or its subsidiaries, and advisors and agents who provide value-added services to the Company or its subsidiaries) under the Scheme. The employee share trusts are administered by the Board and the trustees and are funded by the Group's cash contributions for buying the Company's shares in the open market and recorded as contributions to employee share trusts, an equity component.

During the six months ended 30 June 2022, the Company had entrusted the trustee to purchase shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares purchased	Highest price paid per share <i>HKD</i>	Lowest price paid per share <i>HKD</i>	Aggregate price paid <i>RMB'000</i>
March 2022	1,500,000	0.83	0.83	1,012
April 2022	1,350,000	0.88	0.83	<u>953</u>
				<u><u>1,965</u></u>

The trustee of the employee share trusts will transfer the shares of the Company to employees upon vesting. During the six months ended 30 June 2022 and 2021, no share has been granted and vested.

CHAIRMAN'S STATEMENT

Dear stakeholders,

On behalf of the Board, I am pleased to present the business review of the Group for the six months ended 30 June 2022 and the Group's prospects.

Performance Overview

In the first half of 2022, the real estate market remained to be bottomed-out, causing a systemic disorder in the upstream and downstream industrial ecology thereby severely impacted the property management industry. The development momentum and expected prospects of the property management industry were under immense pressure. Under the continuous market fluctuations and increasingly fierce competition, First Service Holding relied on its own development momentum, fully focused on expanding third parties businesses and being independent from substantial Shareholders, hence paving a way of its own in the market. The Company, which set forth its annual goal of organisational change, quality improvement, empowerment of human resources and increasing layout, started a new journey of service upgrading and keeping working hard, and have achieved good results.

In the first half of the year, the Company recorded a total revenue of RMB553.2 million, representing a period-over-period increase of 8.7%, of which revenue generated from our property management services amounted to RMB361.5 million, representing a period-over-period increase of 49.1%; revenue generated from our green living solutions amounted to RMB96.1 million, representing a period-over-period decrease of 17.5%; and revenue generated from our value-added services amounted to RMB95.6 million, representing a period-over-period decrease of 36.2%. Our overall business scale has expanded, but due to the downturn in the real estate market and the decline in the performance of real estate companies, the Company's gross profit margin and net profit margin have both declined to a certain extent.

While coping with challenges from the COVID-19 pandemic and the real estate market, the Company actively assumes social responsibility and strives to serve the needs of the society. Our mission is to provide customers with green, healthy and digitally connected living experience, with commitment to becoming an operator of full-life scene industry homes with green technology. Our Company will practice our customer-oriented service concept by paying more attention to the voice of property owners and the presentation of our service quality. In the first half of the year, the Spring Breeze Action (春風行動), the Summer Shower Action (夏沐行動) and Love My Home Action (愛我家園行動) were carried out in succession, in which we actively reached out to customers and solved customer problems in time, replanted 100,000 sq.m. of seedlings, carried out 539 community cultural activities, and conducted customer satisfaction surveys every month, with satisfaction increasing month by

month. According to the ranking of listed Chinese property service companies in 2022 by the China Index Academy, First Service Holding ranked sixth in the non-residential services, and in the city satisfaction survey of property service companies conducted by Leju finance (樂居財經), the two participating cities, Beijing and Taiyuan, ranked amongst top ten in terms of brand property reputation.

The pandemic in the past three years has made us deeply aware that health and safety is paramount to both property owners and employees. As a leader in lifestyle services, we remain cautious by accumulating experience, revising processes, standardising systems, and actively carrying out training exercises in pandemic prevention and control, personal safety, fire prevention, flood control and other aspects. With the efforts of all parties, there has not been any cases of COVID-19 infection and major liability accident in the Company. Even during the peak of the COVID-19 pandemic, we were able to provide uninterrupted daily services and guarantee safety, thus ensuring that property owners are safe and secure. This does not only demonstrate the required sense of responsibility of any person in property management, but also provides satisfaction to property owners and the society.

Steady expansion and diversification

We continuously scaled up in our existing presence in cities and business lines so as to create constant revenue streams. First, in terms of urban layout, the Company has contracted to provide property management services in 104 cities across 25 provincial-level administrative regions in China, and plans to actively expand in the Western region in the future. In addition, in order to meet the diversified needs of property owners, we have launched the full-lifecycle and full life scene service. The existing value-added service offerings have been expanded to include a variety of fields such as community retail, home delivery service, decoration service and space management service. We are currently exploring services in the field of elderly community support. Moreover, we closely keep up with market trends, and have created accounts in WeChat Channel and Tik Tok. In the first half of the year, we released a total of 58 videos, covering multiple product lines such as home delivery, decoration, community business, real estate agent and market expansion, thereby enhancing product exposure and reputation which helps increase brand value. Up to now, the two platforms have exceeded 13,000 followers and the total video views have exceeded 500,000 times. In the future, we will keep improving our business model to achieve synergy among different business lines.

Solidifying and enhancing research and development capabilities

In terms of R&D of green living solutions, we made the following progress: (i) AI operation and maintenance cloud platform, which has completed four project deployments in the first half of the year and has been put into use. We achieved satisfactory energy-saving effect in the trial operation phase and estimated the actual energy-saving effect to be between 10% and 30%. Its wide application in the future can significantly reduce labour costs and improve the digitisation and refinement level of the entire energy operation and maintenance management, which is of great significance to the improvement of efficiency of energy operation; (ii) upgrading our AIRDINO systems for passive houses. The technological upgrade to low noise high static pressure noise fans can reduce the system noise by two to three decibels to meet the needs of quiet homes. The control system is subdivided into three types, including high, medium and low configurations, to meet different needs; (iii) completing the development of modular radiant ceiling systems with control of the absolute construction period to be within 15 days. We improved construction efficiency and reduced the difficulty in construction. The success of this research and development will support the promotion of C-end assembled household central modular air conditioning system.

Effective exploration of city services

On 15 April 2022, the Company officially released the “blueprint” for city services, a digital twin smart city service platform, to enter the field of smart city services. The Company integrated city services and digital twin technology to develop an urban service platform based on the Weihai port area, compile urban service plans which mainly focus on the subdivision of urban municipal management as the starting point, respond to the national urban governance strategy of “streamlining administration, delegating power, and optimising government services” (放管服), which covers five categories of business forms, namely municipal sanitation, greening management, river management, equipment management, community management. We are committed to realising the functions of unified management, control and scheduling of urban municipal business through the digital twin scenario. In the first half of the year, the Company actively held various urban roadshows. We adjusted and improved our solutions according to the needs of customers, and developed corresponding segmented urban service solutions and roadshow strategy for various customers, such as the water affairs bureau, the housing and urban rural development bureau and industrial parks.

Outlook

Our mission is to provide customers with green, healthy and digitally connected living experiences. The Company will continuously implement the following strategies in furtherance of this goal:

- ***Continuously scaling up property management business.*** As a property management service provider, we will strive to expand our market share and enhance our brand awareness. We will allocate existing market expansion resources according to management cities, and focus on core cities. Meanwhile, for the existing property service projects, we will use current projects under management as radius so as to radiate surrounding areas of at least 5 kilometres and pull incremental resources into the market. In addition, we have also added various ways for building channels, fully connecting with our partners to achieve win-win cooperation in future expansion. In terms of post-investment management, on the one hand, we enter and take root in the local markets, radiate outward with projects as the core through the provision of services and relying on the influence of our brand, and establish property service types in big cities; on the other hand, we strive to leverage the synergy between businesses and finance, improve comprehensive efficiency, and achieve economies of scale.
- ***Enhancing the intelligence of the community information technology.*** In terms of intelligent community and information technology system, we have mainly completed the following work: (i) the upgrade of the Green Select Platform, so that there is an exclusive store in each region. In the future, we will actively cooperate with excellent suppliers to set up a community member operation system through community operation system, and provide property owners with high quality and convenient community shopping experience; (ii) in terms of city services, we have completed the construction of the digital twin smart city service platform and the official release of the “blueprint” for city services. At present, we have already completed a number of project information reserve and city roadshows. The Company targets the pain points of urban governance to integrate digital twin technology and city services, and establish a development strategy of smart city services. Through the empowerment of the “blueprint” of city services, we provide city managers with comprehensive and refined smart city services. At the same time, the Company also applies the “blueprint” to more property service scenarios to drive the city’s intelligent management through technology, and lead the industry’s technological innovation.

- Continuously developing and commercialising green technologies.*** In the future, we will emphasise on two main themes in our research and development. At the macro level, we will work on the extensive operation of the energy system. The AI operation and maintenance cloud platform is gradually promoted in the existing management projects. Through the AI operation and maintenance platform, a fully digitalised and fine operation and maintenance management system is built to comprehensively improve the level of operation and maintenance management. In the meantime, we plan to bring the AI operation and maintenance platform to the market and use the AI operation and maintenance platform to upgrade and transform a large number of old-dated energy automatic control systems in existing public facilities, achieve a breakthrough in the external expansion of business operation, and to use technology to drive the expansion of asset-light services. At the micro level, we will work on the C-end high-comfort quick installation air conditioning system. Regarding the research and development of C-end Siheng “Four Constant” (constant temperature, constant humidity, constant oxygen, constant quietness) products, the focus is on the integrated development of intelligent control system and intelligent home system, simplifying the number of panels on the wall, and improving the overall integrity and fashion sense of the system. Through the strong integration of business and hardcover solutions, technology drives sales and opens up retail system market channels.
- Attracting and nurturing talents and building a learning organisation.*** In the second half of the year, we will pay more attention to the establishment and training of internal talent echelon, and optimise and upgrade the existing training system. For different professions, employees of different ranks have successively received “Spark Camp” (星火營), “Starlight Camp” (星光營) and “Nebula Camp” (星雲營) training, which provides systematic training guarantee for employees’ career development. The “Light Chasing Program” (逐光計劃) requires instructor certification, which has enriched the quantity and quality of the team of instructors. We also launched the “Boyue Program” (博約計劃) to enrich the content of the training course system. We believe that job stability and the long-term sustainable development of our employees are still important factors to the long-term growth of the Group’s performance. Our “Talented Apprentice” (匠才生) training scheme remains to be executed efficiently and has achieved excellent results in which some “Talented Apprentices” have stood out in their posts. We will also continuously improve the internal and external talent recruitment mechanism, provide employees with competitive compensation strategies, and attract more outstanding talents to join us. In the first half of the year, the “Feng He Scheme” (風禾計劃) for self-improvement of senior management was held four times as scheduled, alongside self-improvement of executives. Building a learning organisation is still our goal for the second half of the year. We hope that through learning, we can build the core leadership of the senior management team in the era of changes, so as to enable the Company to make continuous breakthroughs, get victory and achieve rapid and steady development in the changing environment.

Looking forward, the Company will continuously uphold the operation philosophy of Technological Living, Homelike Service, with a view to providing our customers with green, healthy and digitally connected living experience. The Company will continue to focus on expanding the scale of development and the enrichment of business ecology, continue to accelerate the intelligent improvement of community management and urban governance, continue to research green and sustainable technologies and their applications, and build a resilient and strong organization and talent system. We will seize the opportunities, continuously solidify comprehensive competitiveness and move forward in accordance with our established strategies to achieve steady development with confidence and determination.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, customers and suppliers of the Company for their continued support and trust. The Board would also like to thank all the employees and management team for implementing our Group's strategies with their professionalism, integrity and dedication.

Zhang Peng

Chairman

23 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2022, we had contracted to provide property management services in 104 cities across 25 provincial-level administrative regions in China.

We witnessed both opportunities and challenges in the first half of 2022. Revenue increased by approximately 8.7% from RMB508.8 million for the six months ended 30 June 2021 to RMB553.2 million for the same period in 2022, primarily due to (i) an increase in revenue from 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**”), which were acquired by our Group in March 2021 and whose financial results were consolidated into the financial statements of our Group for three months only in the first half of 2021 as compared to six months in the first half of 2022, and (ii) an increase in gross floor area (“**GFA**”) under management of residential properties.

Profit for the period decreased by approximately 65.0% from RMB71.8 million for the six months ended 30 June 2021 to RMB25.1 million for the same period in 2022, primarily due to the general downturn of the real estate market in China.

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 8.7% from RMB508.8 million for the six months ended 30 June 2021 to RMB553.2 million for the same period in 2022.

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 generated from our property management services increased by approximately 49.1% from RMB242.4 million for the six months ended 30 June 2021 to RMB361.5 million for the same period in 2022. This increase was primarily attributable to (i) the increase in revenue from property management services of Dalian Yahang and Qingdao Luohang, whose financial results were consolidated into our financial results for three months only in the first half of 2021 as compared to six months in the first half of 2022, and (ii) the increase in our GFA under management of residential properties as a result of our active expansion.

The following table sets forth a breakdown of our total number of contracted property management projects/projects under management and our contracted GFA/GFA under management by property type as of the dates indicated or for the periods indicated:

	As of or for the six months ended 30 June											
	2022						2021					
	No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management		No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management	
		sq.m.'000	%		sq.m.'000	%		sq.m.'000	%		sq.m.'000	%
Residential properties	244	50,175	69.5	158	28,005	56.5	242	40,791	55.9	147	21,451	40.3
Public properties	131	6,698	9.3	131	6,698	13.5	131	12,853	17.6	131	12,853	24.2
Commercial and other properties	185	15,290	21.2	182	14,864	30.0	182	19,350	26.5	179	18,898	35.5
Total	560	72,163	100.0	471	49,567	100.0	555	72,994	100.0	457	53,202	100.0

In the first half of 2022, the Group continuously strengthened its efforts in expansion in order to establish more high quality projects and scale up its business. Our contracted GFA and GFA under management of residential properties increased compared with the same period last year. The decrease in contracted GFA and GFA under management of public properties and other commercial properties is mainly because we revisited the contracted GFA and GFA management of the two acquired companies, which primarily managed public and commercial properties, in accordance with market practice.

The table below sets forth a breakdown of total number of contracted property management projects/projects under management and our contracted GFA/GFA under management, by project source:

	As of or for the six months ended 30 June											
	2022						2021					
	No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management		No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management	
		sq.m.'000	%		sq.m.'000	%		sq.m.'000	%		sq.m.'000	%
Modern Land Group ⁽¹⁾	92	22,064	30.6	61	13,779	27.8	114	18,756	25.7	80	11,406	21.4
Other associates of our controlling shareholders ⁽²⁾	20	6,047	8.4	7	1,329	2.7	21	3,924	5.4	8	1,309	2.5
Third parties	448	44,051	61.0	403	34,459	69.5	420	50,314	68.9	369	40,487	76.1
Total	560	72,163	100.0	471	49,567	100.0	555	72,994	100.0	457	53,202	100.0

Notes:

- (1) Modern Land Group means Modern Land (China) Co., Limited (當代置業(中國)有限公司) (stock code: 1107) and its subsidiaries.
- (2) Including 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., First MOMA Assets Management (Beijing) Co., Ltd. and Super Land Holdings Limited and each of their respective subsidiaries and 30%-controlled companies (as defined under the Listing Rules).

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) selling 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:

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Energy operation services	69,981	72.8	65,425	56.2
Systems installation services	23,983	25.0	34,708	29.8
Green technology consulting services	–	–	7,942	6.8
Sales of AIRDINO systems	2,088	2.2	8,295	7.2
Total	96,052	100.0	116,370	100.0

Revenue generated from our green living solutions decreased by approximately 17.5% from RMB116.4 million for the six months ended 30 June 2021 to RMB96.1 million for the same period in 2022. This decrease was primarily due to the Company’s strategic contraction in businesses, such as systems installation services, green technology consulting services and sales of AIRDINO systems, in light of the general downturn of the real estate market in China.

Value-Added Services

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

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

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Value-added services to non-property owners				
Sales assistance services	10,549	11.0	73,131	48.8
Preliminary planning and design consultancy services	2,510	2.6	6,746	4.5
<i>Subtotal</i>	<u>13,059</u>	<u>13.6</u>	<u>79,877</u>	<u>53.3</u>
Community value-added services				
Parking space management services	36,289	38.0	34,624	23.1
Home living services	38,411	40.2	28,278	18.9
Communal area leasing services	7,860	8.2	7,168	4.7
<i>Subtotal</i>	<u>82,560</u>	<u>86.4</u>	<u>70,070</u>	<u>46.7</u>
Total	<u><u>95,619</u></u>	<u><u>100.0</u></u>	<u><u>149,947</u></u>	<u><u>100.0</u></u>

Revenue generated from our value-added services decreased by approximately 36.2% from RMB149.9 million for the six months ended 30 June 2021 to RMB95.6 million for the same period in 2022. This decrease was primarily because we discontinued our sales assistance services on a large scale considering the difficulty in cash flow collection and the general downturn of real estate market in China.

Cost of Sales

Our cost of sales increased by approximately 22.5% from RMB337.9 million for the six months ended 30 June 2021 to RMB414.1 million for the same period in 2022. The increase was primarily due to our expansion in the scale and improvement in the quality of our property management services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by approximately 18.6% from RMB170.8 million for the six months ended 30 June 2021 to RMB139.1 million for the same period in 2022. Our gross profit margin decreased from 33.6% for the six months ended 30 June 2021 to 25.1% for the same period in 2022.

Our gross profit margin of our property management services decreased from 26.1% for the six months ended 30 June 2021 to 20.4% for the same period in 2022, which was primarily because (i) our newly sourced residential properties and public properties projects had lower gross profit margin than other residential properties we managed and (ii) we increased cost for enhancing quality of our property management projects.

Our gross profit margin of our green living solutions decreased from 32.6% for the six months ended 30 June 2021 to 24.3% for the same period in 2022, which was primarily due to the decrease in revenue from green technology consulting services and sales of AIRDINO systems which typically have higher gross profit margin as we scale down these services in light of the general downturn of the real estate market in China.

Our gross profit margin of our value-added services decreased from 46.4% for the six months ended 30 June 2021 to 43.8% for the same period in 2022, which was primarily due to the decrease in revenue from sales assistance services which typically has higher gross profit margin as our sales assistance services were discontinued on a large scale in first half of 2022 considering the difficulty in cash flow collection and the general downturn of real estate market in China.

Other Income

Our other income decreased by approximately 9.8% from RMB12.2 million for the six months ended 30 June 2021 to RMB11.0 million for the same period in 2022, primarily attributable to the decrease in interest on deposit.

Selling Expenses

Our selling expenses decreased by approximately 19.5% from RMB6.7 million for the six months ended 30 June 2021 to RMB5.4 million for the same period in 2022, primarily due to the optimisation of our sales personnel structure according to our strategic restructuring leading to the decrease in sales personnel headcount.

Administrative Expenses

Our administrative expenses increased by approximately 20.8% from RMB75.2 million for the six months ended 30 June 2021 to RMB90.8 million for the same period in 2022, primarily attributable to (i) increase in staff cost as a result of the establishment of regional management centers for effective management to meet the demands for business expansion and (ii) increase in severance compensation following optimisation of our personnel structure leading to decrease in headcount.

Impairment Loss on Trade Receivables and Contract Assets

Our impairment loss on trade and other receivables and contract assets increased by approximately 159.1% from RMB7.6 million for the six months ended 30 June 2021 to RMB19.6 million for the same period in 2022, primarily due to recognition of the expected credit loss allowances for certain receivables due from customers from real estate sector as a result of the overall downturn of the real estate market in the PRC.

Income Tax

Our income tax decreased by approximately 62.6% from RMB21.5 million for the six months ended 30 June 2021 to RMB8.0 million for the same period in 2022. This decrease was primarily attributable to the decrease in our profit before tax as a result of (i) the increase in cost of sales, mainly due to our effort to continuously improve the quality of property management services during the year and (ii) the increase in expected credit loss on trade receivables and contract assets.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 65.0% from RMB71.8 million for the six months ended 30 June 2021 to RMB25.1 million for the six months ended 30 June 2022.

Trade and Other Receivables

As of 30 June 2022, trade and other receivables amounted to RMB493.4 million, representing an increase of approximately 16.1% as compared with RMB425.0 million as of 31 December 2021, which was generally in line with our revenue growth.

Trade and Other Payables

As of 30 June 2022, trade and other payables amounted to RMB411.6 million, representing an increase of approximately 27.2% as compared with RMB323.7 million as of 31 December 2021. The increase was 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 30 June 2022, our goodwill amounted to RMB181.7 million arising from acquisitions of Dalian Yahang and Qingdao Luohang in March 2021 in expectation of synergies and efficiencies from integrating the acquitted companies into the 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 30 June 2022, the Group had contingent consideration totaling RMB40.2 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. The Group's contingent consideration as of 30 June 2022 increased by approximately 1.7% from RMB39.5 million as of 31 December 2021. The increase was mainly attributable to an increase in interest on the balance of purchase price arising from the acquisitions of Dalian Yahang and Qingdao Luohang.

Capital Structure

Our total assets increased from RMB1,357.9 million as of 31 December 2021 to RMB1,360.6 million as of 30 June 2022. Our total liabilities increased from RMB684.4 million as of 31 December 2021 to RMB711.1 million as of 30 June 2022. Liabilities-to-assets ratio increased from 50.4% as of 31 December 2021 to 52.3% as of 30 June 2022.

The current ratio, being current assets divided by current liabilities as of the respective date, decreased from 1.67 as of 31 December 2021 to 1.60 as of 30 June 2022.

Liquidity, Capital Resources and Gearing

The Group adopts a stable and prudent approach on its finance and treasury policy, aiming to maintain an optimal financial position and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans. For the six months ended 30 June 2022, we financed our operations primarily through internal resources, bank borrowings and the proceeds from the global offering (the “**Global Offering**”) of our shares (the “**Shares**”) in connection with the listing of our Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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, which were mainly denominated in Renminbi, increased by 3.0% from RMB495.8 million as of 31 December 2021 to RMB510.5 million as of 30 June 2022, primarily attributable to the redemption of wealth management products.

Our gearing ratio, being total interest-bearing borrowings divided by total equity, decreased from 3.04% as of 31 December 2021 to 0.02% as of 30 June 2022, primarily due to the repayment of short-term borrowings from major banks in the first half of 2022.

Capital Expenditure

Our capital expenditure increased by approximately 168.8% from RMB1.6 million for the six months ended 30 June 2021 to RMB4.3 million for the same period in 2022. Our capital expenditure was used primarily for the purchase of office and other equipment, software and operation rights.

Indebtedness

Bank Loans

As of 30 June 2022, all of the Group’s bank loans of RMB0.1 million (as of 31 December 2021: RMB20.5 million), which were denominated in Renminbi, were repayable within one year. The Group’s bank borrowings amounting to RMB0.1 million as of 30 June 2022 (as of 31 December 2021: RMB20.5 million) were borrowings with fixed interest rates.

As of 30 June 2022, banking facilities of the Group totaling RMB0.1 million (as of 31 December 2021: RMB24.0 million) were utilised to the extent of RMB0.1 million (as of 31 December 2021: RMB20.5 million).

Contingent Liabilities

As of 30 June 2022, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group that were likely to have a material and adverse effect on the Group's business, financial condition or results of operations.

Interim Dividend

The final dividend for the year ended 31 December 2021 of HK6.77 cents per share, being HK\$67.7 million in aggregate, has been approved at the annual general meeting of the Company held on 21 June 2022 and was paid in cash on 12 July 2022.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

Pledge of Assets

As of 30 June 2022, the Group did not have any pledge of its assets.

Significant Events After the Reporting Period

There are no material events subsequent to 30 June 2022 which could have a material impact on the operating and financial performance of the Group as of the date of this announcement.

Foreign Exchange Risk and Hedging

The Group mainly operates in the 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

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

Company Information

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

Employees

As of 30 June 2022, we had a total of 4,067 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 the long-term sustainable development of our employees is an important factor to the long-term growth of the Group's performance. We implemented (i) 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, (ii) the "Talented Leaders Scheme" (將才計劃) to hunt for and bring in mature business and management talents from external source, (iii) the "Starlight Training Scheme" (星光培訓計劃) to guarantee the provision of systematic training for the promotion of internal staff, and (iv) 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. Moreover, we have adopted a Share Option Scheme to incentivize qualified employees and a Share Award Scheme to retain eligible persons.

No Material Change

Since the publication of the Group's annual report for the year ended 31 December 2021 on 28 April 2022, there has been no material change to the Group's business.

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, and have been, and are proposed to be, applied in accordance with the intended use of the proceeds as set out in (i) the section headed “Future Plans and Use of Proceeds” of the Prospectus and (ii) the Company’s announcement dated 10 June 2022 in relation to the change in use of proceeds. The following table sets forth the status of the use of net proceeds from the Global Offering⁽¹⁾ as of 30 June 2022:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the Global Offering	Amount of used proceeds as of 30 June 2022 (In HK\$ millions)	Amount of unused proceeds as of 30 June 2022	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
Distribute to the shareholders of the Company (the “Shareholders”) by way of cash dividend⁽²⁾	20.0	114.2	–	114.2	By the end of 2023
Payment of the final dividend for the year ended 31 December 2021 ⁽²⁾	11.9	67.7	–	67.7	By 12 July 2022
Payment of dividend in the upcoming financial years ⁽²⁾	8.1	46.5	–	46.5	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
Upgraded 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	23.9	–	23.9	–
Supplement our existing training programs	0.825	4.7	–	4.7	–
General business operations and working capital	10.0	57.1	9.6	47.5	–
Total	100.0	571.2	207.6	363.6	By the end of 2023

Notes:

- (1) The figures in the table are approximate figures and are subject to rounding adjustments.
- (2) Up to 20.0% (or HK\$114.2 million) of the net proceeds from the Global Offering, which was originally intended to be used to invest in energy operation projects and obtain energy operation rights, has been changed to be used to distribute to the Shareholders by way of cash dividend. For details, please refer to the announcement of the Company dated 10 June 2022.
- (3) To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if the Company is unable to put into effect any part of its plans as intended, the Company may temporarily use such funds to invest in short-term wealth management products so long as it is deemed to be in the best interests of the Company. In such event, the Company will comply with the appropriate disclosure requirements under the Listing Rules. Together with the income to be generated from the investment in wealth management products, the Company will continue to apply the unutilized net proceeds in the manner disclosed in the Prospectus.

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. During the six months ended 30 June 2022, 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 30 June 2022, 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 the date of this announcement.

SHARE AWARD SCHEMES

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 30 June 2022, there were 11,750,000 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 Group**”), 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 beneficially owned by Cedar Group 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 30 June 2022, a total of 63,782,250 Shares, representing all Shares held by Cedar Group before the adoption of the Cedar Share Award Scheme which were available for granting, have been granted and vested. Cedar Group no longer held any Share 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 its corporate value and accountability. The Company has adopted Corporate Governance Code (the “**CG Code**”) contained in Part 2 of 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 six months ended 30 June 2022. 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 six months ended 30 June 2022.

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

During the six months ended 30 June 2022, the Company had entrusted the trustee under the Share Award Scheme to purchase, in aggregate, 2,850,000 Shares on market at the aggregate consideration of approximately RMB2.0 million. No share awards under the Share Award Scheme were granted nor vested during the six months ended 30 June 2022 and 11,750,000 Shares were held in trust by the trustee under the Share Award Scheme as of 30 June 2022.

Save as disclosed above, during the six months ended 30 June 2022, 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 (Chairlady), Mr. Chen Sheng 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 interim results for the six months ended 30 June 2022 and considered that the interim 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.

Changes in Directors' Information

With effect from 30 March 2022, (i) Ms. Zhu Caiqing has resigned as an independent non-executive Director, a member of the Audit Committee, a member of the remuneration committee of the Board (the “**Remuneration Committee**”) and a member of the nomination committee of the Board (the “**Nomination Committee**”); (ii) Mr. Chen Sheng has been appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee; and (iii) Ms. Sun Jing, an independent non-executive Director, has been appointed as a member of the Remuneration Committee. For further details, please refer to the announcement of the Company dated 29 March 2022.

Save as disclosed above, the Directors confirm that no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.firstservice.hk), and the interim report of the Company for the six months ended 30 June 2022 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, 23 August 2022

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

* *For identification purposes only*