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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 2023

HIGHLIGHTS

- Revenue for the year ended 31 December 2023 amounted to approximately RMB1,210.9 million, representing an increase of approximately 7.9% as compared to that of approximately RMB1,122.3 million for the year ended 31 December 2022. Among which, revenue from property management services was approximately RMB869.5 million, representing a year-on-year increase of approximately 13.4%, and revenue from value-added services was approximately RMB205.5 million, representing a year-on-year increase of approximately 7.0%.
- Gross profit for the year ended 31 December 2023 amounted to approximately RMB304.7 million, representing an increase of approximately 16.8% as compared to that of approximately RMB260.9 million for the year ended 31 December 2022. Among which, gross profit of property management services was approximately RMB188.1 million, representing a year-on-year increase of approximately 22.3%, and gross profit of value-added services was approximately RMB90.4 million, representing a year-on-year increase of approximately 22.1%.
- Gross profit margin for the year ended 31 December 2023 was 25.2%, representing a year-on-year increase of approximately 2.0 percentage points. Among which, gross profit margin of property management services was 21.6%, representing a year-on-year increase of approximately 1.5 percentage points, and gross profit margin of value-added services was 44.0%, representing a year-on-year increase of approximately 5.4 percentage points.

- Profit for the year ended 31 December 2023 amounted to RMB70.1 million, representing an increase of approximately 38.8% as compared to RMB50.5 million for the year ended 31 December 2022.
- The Group achieved positive operating cash flows for the year ended 31 December 2023 with net cash generated from operating activities of approximately RMB93.4 million, representing a significant improvement compared with the same period last year.
- As of 31 December 2023, the Group's total gross floor area ("GFA") under management amounted to approximately 63.2 million sq.m., representing an increase of approximately 23.0% as compared with that as of 31 December 2022, among which approximately 66.5% were sourced from third parties. As of 31 December 2023, the Group's total contracted GFA was approximately 77.9 million sq.m., representing a year-on-year increase of approximately 9.6%, among which, approximately 65.7% were sourced from third parties.
- The Board has recommended the payment of a final dividend of HK4.20 cents per share for the year ended 31 December 2023, being HK\$42.0 million in aggregate. In case of any change in the total number of issued shares of the Company, the Company intends to keep the total dividend payout of HK\$42.0 million unchanged and adjust the amount of dividend per share accordingly.

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 audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2023, together with comparative figures for 2022.

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 year ended 31 December 2023

*(Expressed in Renminbi (“**RMB**”))*

	<i>Note</i>	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Revenue	3	1,210,914	1,122,272
Cost of sales		<u>(906,254)</u>	<u>(861,384)</u>
Gross profit		<u>304,660</u>	<u>260,888</u>
Other net income	4	23,435	28,379
Selling expenses		(17,198)	(11,026)
Administrative expenses		(175,716)	(173,008)
Expected credit loss on trade receivables and contract assets		(43,709)	(40,943)
Impairment loss on goodwill		(1,860)	–
Finance costs		(161)	(991)
Share of loss of associates		(835)	(393)
Share of loss of a joint venture		<u>(12)</u>	<u>(10)</u>
Profit before taxation	5	88,604	62,896
Income tax	6	<u>(18,457)</u>	<u>(12,352)</u>
Profit for the year		<u>70,147</u>	<u>50,544</u>

	2023	2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	70,147	50,544
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)	415	(996)
Item that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	5,537	14,976
Other comprehensive income for the year	5,952	13,980
Total comprehensive income for the year	76,099	64,524
Profit for the year attributable to:		
Equity shareholders of the Company	57,127	41,338
Non-controlling interests	13,020	9,206
Profit for the year	70,147	50,544
Total comprehensive income attributable to:		
Equity shareholders of the Company	63,079	55,318
Non-controlling interests	13,020	9,206
Total comprehensive income for the year	76,099	64,524
Earnings per share	7	
Basic and diluted (<i>RMB</i>)	0.0588	0.0418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Investment properties		15,350	15,557
Property and equipment		18,784	14,954
Intangible assets		36,223	39,661
Goodwill		179,836	181,696
Interest in a joint venture		25	37
Interest in associates		3,996	4,607
Other financial assets		4,718	4,165
Other non-current assets		1,887	–
Deferred tax assets		44,730	38,807
		<u>305,549</u>	<u>299,484</u>
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Current assets			
Inventories		1,611	813
Contract assets		2,727	21,054
Trade and other receivables	8	571,196	518,496
Financial assets measured at fair value through profit or loss (“FVPL”)		56,067	107,620
Restricted cash		24,614	24,277
Cash and cash equivalents		509,829	396,074
Other current assets		343	1,491
		<u>1,166,387</u>	<u>1,069,825</u>
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	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current liabilities			
Trade and other payables	9	404,595	368,317
Contract liabilities		302,975	279,646
Current taxation		11,105	7,046
Contingent consideration — current portion		30,546	11,679
		<u>749,221</u>	<u>666,688</u>
Net current assets		<u>417,166</u>	<u>403,137</u>
Total assets less current liabilities		<u>722,715</u>	<u>702,621</u>
Non-current liabilities			
Deferred tax liabilities		8,845	7,559
Contingent consideration — non-current portion		<u>—</u>	<u>20,655</u>
		<u>8,845</u>	<u>28,214</u>
NET ASSETS		<u>713,870</u>	<u>674,407</u>
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		<u>657,489</u>	<u>629,279</u>
Total equity attributable to equity shareholders of the Company		657,490	629,280
Non-controlling interests		<u>56,380</u>	<u>45,127</u>
TOTAL EQUITY		<u>713,870</u>	<u>674,407</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interest in an associate and joint ventures.

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 IFRS Accounting Standards 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.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") to the consolidated financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented on this consolidated financial statement. 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

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 2023 and 2022 is set out below.

	First Property Management		First Living		Total	
	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Revenue recognised over time	1,174,549	1,061,170	39,263	69,963	1,213,812	1,131,133
Revenue recognised at point in time	4,264	165	6,570	6,073	10,834	6,238
Reportable segment revenue	1,178,813	1,061,335	45,833	76,036	1,224,646	1,137,371
Disaggregated by major products or service lines						
— Property management services	869,986	766,903	—	—	869,986	766,903
— Green living solutions	107,691	102,464	45,833	76,036	153,524	178,500
— Value-added services	201,136	191,968	—	—	201,136	191,968
Reportable segment revenue	1,178,813	1,061,335	45,833	76,036	1,224,646	1,137,371

	First Property Management		First Living		Total	
	2023	2022	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit/(loss)	87,465	70,380	(691)	(3,088)	86,774	67,292
Interest income	1,334	3,504	20	75	1,354	3,579
Interest expense	–	446	161	545	161	991
Depreciation and amortisation for the year	9,174	8,184	270	336	9,444	8,520
Expected credit losses — trade receivables and contract assets	43,386	37,993	323	2,950	43,709	40,943
Impairment loss on goodwill	1,860	–	–	–	1,860	–
Reportable segment assets	1,280,813	1,109,977	113,813	129,972	1,394,626	1,239,949
Reportable segment liabilities	732,338	656,892	88,234	103,082	820,572	759,974

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Reportable segment revenue	1,224,646	1,137,371
Elimination of inter-segment revenue	(13,732)	(15,099)
Consolidated revenue	1,210,914	1,122,272

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit		

Reportable segment profit	86,774	67,292
Unallocated head office and corporate net income/ (expenses) before taxation	1,721	(4,287)
Elimination of inter-segment profit	109	(109)
Consolidated profit before taxation	88,604	62,896

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Assets		
Reportable segment assets	1,394,626	1,239,949
Unallocated head office and corporate assets	470,517	485,383
Elimination of inter-segment balances	<u>(393,207)</u>	<u>(356,023)</u>
Consolidated total assets	<u><u>1,471,936</u></u>	<u><u>1,369,309</u></u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Liabilities		
Reportable segment liabilities	820,572	759,974
Unallocated head office and corporate liabilities	11	11
Elimination of inter-segment balances	<u>(62,517)</u>	<u>(65,083)</u>
Consolidated total liabilities	<u><u>758,066</u></u>	<u><u>694,902</u></u>

4 OTHER NET INCOME

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	<i>(i)</i>	6,396	4,658
Government grants	<i>(ii)</i>	16,979	16,070
Net realised gains on financial assets measured at FVPL		2,287	2,101
Fair value (loss)/gain of investment properties		(207)	689
Net valuation gain/(loss) on financial assets measured at FVPL		338	(154)
Net loss on disposal of property and equipment		(75)	(52)
(Loss)/gain on disposal of subsidiaries		(565)	164
Fair value gain of contingent consideration		1,788	7,180
Claims and fines		(3,126)	–
Others		<u>(380)</u>	<u>(2,277)</u>
		<u><u>23,435</u></u>	<u><u>28,379</u></u>

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amortisation cost of intangible assets	5,582	5,075
Depreciation charge		
— owned property and equipment	3,862	3,445
Auditors' remuneration		
— audit services	2,300	2,600
— non-audit services	—	110
Impairment loss on goodwill	1,860	—
Cost of inventories	6,408	4,056
Lease expenses		
— short-term leases	971	2,705

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax — PRC Corporate Income Tax		
Provision for the year	23,240	17,912
Deferred tax		
Origination and reversal of temporary differences	(4,783)	(5,560)
	<u>18,457</u>	<u>12,352</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit before taxation	88,604	62,896
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	22,151	15,724
Tax effect of PRC preferential tax (<i>note (ii)</i>)	(6,915)	(5,915)
Tax effect of non-deductible expenses	1,546	2,221
Tax effect of tax losses not recognised	1,716	396
Tax effect of utilisation of tax losses not recognised in previous years	(41)	(74)
	<u>18,457</u>	<u>12,352</u>

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 is 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 (2022: Nil).

The Group’s PRC subsidiaries are subject to PRC Corporate Income Tax 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 are subject to a preferential income tax rate of 5% 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 Corporate Income Tax exemptions for two years followed by a 50% Corporate Income Tax reduction of the statutory Corporate Income Tax rates for three years, starting from its first profit-making year.

(c) Pillar Two income taxes

The Group operates in the Mainland China and has several investment holding companies in the Cayman Islands and Hong Kong, which have enacted new tax laws to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The new tax laws took effect from 1 January 2024. The directors of the Company anticipate Pillar Two income taxes will not have a significant impact on the Group.

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the 2023 is based on the profit attributable to equity shareholders of the Company of RMB57,127,000 (2022: RMB41,338,000) and the weighted average number of 971,285,000 ordinary shares (2022: 989,410,000 ordinary shares) in issue during the year, calculated as follows:

	2023 <i>No. of '000 shares</i>	2022 <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	<u>(28,715)</u>	<u>(10,590)</u>
Weighted average number of ordinary shares at 31 December	<u><u>971,285</u></u>	<u><u>989,410</u></u>

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 2023 and 2022.

8 TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables from third parties	481,270	421,464
Less: expected credit loss (“ECL”) allowance	<u>(155,454)</u>	<u>(120,179)</u>
	325,816	301,285
Trade receivables from related parties	184,346	178,393
Less: ECL allowance	<u>(71,434)</u>	<u>(65,792)</u>
	<u>112,912</u>	<u>112,601</u>
Total trade receivables	<u>438,728</u>	<u>413,886</u>
Deposits and prepayments	39,370	34,806
Payments on behalf of property owners	40,446	25,432
Value-added tax prepaid	10,287	10,441
Other receivables	42,610	34,555
Less: ECL allowance for other receivables	<u>(245)</u>	<u>(624)</u>
Other receivables	<u>42,365</u>	<u>33,931</u>
	<u><u>571,196</u></u>	<u><u>518,496</u></u>

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 receivables 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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	244,393	256,271
1 to 2 years	74,587	95,804
2 to 3 years	66,642	48,648
3 to 4 years	42,617	11,610
4 to 5 years	9,832	1,518
Over 5 years	657	35
	<u>438,728</u>	<u>413,886</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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	185,971	138,335
Credit loss recognised	43,709	47,699
Transfer from contract assets	9,288	–
Written-off	(11,784)	–
Effect on disposal of subsidiaries	(296)	(63)
	<u>226,888</u>	<u>185,971</u>

9 TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	142,500	130,779
Amounts due to related parties	13,952	13,111
Other taxes and charges payable	26,423	22,578
Accrued payroll and other benefits	51,804	46,283
Deposits	78,673	75,026
Dividends payable	1,372	–
Interest payable	–	388
Other payables and accruals	89,871	80,152
	<u>404,595</u>	<u>368,317</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	97,045	101,730
1 to 2 years	24,737	22,707
2 to 3 years	15,295	4,703
Over 3 years	5,423	1,639
	<u>142,500</u>	<u>130,779</u>

10 DIVIDENDS

- (i) Dividends payable to equity shareholders of the Company attributable to the year:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HK\$0.042 (2022: HK\$0.03) per ordinary share	<u>38,061</u>	<u>26,798</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.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.03 per share (2022: HK\$0.0677)	<u>26,798</u>	<u>57,655</u>

CHAIRMAN’S STATEMENT

Dear stakeholders,

On behalf of the Board, I am pleased to present the performance review of the Group for the year 2023 and the development outlook for the year 2024.

PERFORMANCE OVERVIEW

In 2023, against the backdrop of the relatively complex internal and external market environment with uncertain expectations, property service companies actively embraced market changes, adjusted operating strategies, lowered growth expectations and returned to the essence of services. The industry as a whole achieved orderly improvement and entered into a new stage of “slow growth with high-quality” development. Riding on the momentum of years of steady development, First Service Holding optimised operational quality through the provision of quality services, strengthened the layout of diversified operation with innovation and business creation as driving forces, and increased competitiveness through emphasis on green full life scene service capabilities. In 2023, First Service Holding took “Scale Expansion, Reinforcing Professionalism and Improving Operation” as its annual goal, achieved steady growth in scale and further laid down a solid foundation for sustainable development.

The Company recorded total revenue of RMB1,210.9 million for the year of 2023, representing a year-on-year increase of 7.9%. Gross profit amounted to RMB304.7 million, representing a year-on-year increase of 16.8%. Profit for the year amounted to RMB70.1 million, representing a year-on-year increase of 38.8%.

“Scale Expansion”

In 2023, we focused on market expansion to achieve incremental improvement. As of 31 December 2023, the Group’s total contracted GFA amounted to approximately 77.9 million sq.m., representing a year-on-year increase of 9.6%, and our total GFA under management amounted to approximately 63.2 million sq.m., representing a year-on-year increase of 23.0%. As of 31 December 2023, the Group’s service projects covered 24 provinces and 100 cities in China, providing high-quality property services to nearly 200,000 property owners. At the same time, the Company focused on high-capacity cities and quality business types, and withdrew from low-quality and inefficient projects. As of 31 December 2023, total GFA under management for residential properties amounted to approximately 41.0 million sq.m., representing a year-on-year increase of 35.4%, and the total GFA under management of non-residential properties amounted to approximately 22.2 million sq.m., representing a year-on-year increase of 5.4%.

“Reinforcing Professionalism”

In 2023, we focused on the quality of our services to achieve refined operations. For product upgrades, we launched the “Green Service 2.0” product system, introduced green food, technological house decoration, and health benefits into the community in order to comprehensively enhance the quality of community life and enhance diversified consumer experiences. For benchmark constructions, we created 101 visiting lines, built 18 model projects, and launched new landmarks for regional services to boost brand influence. For social responsibility, we held more than 900 community cultural activities throughout the year and replanted more than 100,000 sq.m. of seedlings to continue to empower a better life. For the construction of “red properties”, we have established 19 Party branches, including the First Service Holding Party branch at our headquarters. We have also built 75 “red foundation projects” and participated in 116 “red properties” construction projects, with a view to establish a “Party building leadership, top to bottom linkage, and harmonious co-governance” Party brand.

“Improving Operation”

In 2023, we focused on innovation and business creation to achieve boundary breakthroughs. Focusing on community resources and property owners’ needs, we comprehensively promoted the construction of convenient living circles, advanced from multiple dimensions such as demand, products, channels, etc., in order to innovate community consumption scenarios and strengthen the community service system. For offline experience, we researched and expanded into multiple business areas such as community canteens, rental and sales centres, direct drinking water and charging stations. For online platforms, we continued to enrich the “Green Select Platform” online mall and branched out to live streaming businesses, bringing convenience to residents while recording good business performance.

OUTLOOK

In 2024, First Service Holding will adhere to the brand philosophy of “Technological Living, Homelike Service” and take “Quality Building, Scale Expansion and Business Creation” as its annual business strategy to guide and promote the development of various businesses.

“Quality Building”

We will insist on staying customer-centric and focusing on quality building. We will continue to implement the “five-level supervision” mechanism and promote the “Quality Supervisor Plan” project to stabilise the basic quality of projects; establish a quality service fund to invest in project transformation so as to improve project on-site quality and customer touchpoint

experience; establish project products line grading standards to form an adapted and differentiated service system to promote good project operation; focus on customer demands and arrange community cultural activities throughout the year to build a harmonious neighborhood community; highlight the leadership of the Party, develop “red properties”, and explore the new service model of “joint community contribution, governance and sharing”.

“Scale Expansion”

We will keep up with scale expansion and high-quality growth. Firstly, we will focus on internal measures. We will enhance marketing development capabilities to improve bidding efficiency and quality and will improve the overall quality of personnel and establish an efficient and collaborative team. Secondly, we will work on external measures. We will deeply cultivate key cities, and will focus on quality business expansion. We will also sort out strategic customer resources and identify key customers for dedicated follow up, establish celebrity project effects and increase brand awareness.

“Business Creation”

We will continue to innovate and upgrade our businesses. For existing businesses, we aim to achieve standardised management through four dimensions: the introduction of business sources, resource planning, business control and information management, which will help us achieve our business targets efficiently. For new businesses, we will upgrade the online shopping mall, synergise resources around the community, and explore point systems for families. We will continue to innovate and create businesses, lay out the “Green Community +” full living service ecosystem, strengthen our capacity of multi-business type service and explore new pivot points for value growth.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders of the Company (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

26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

We generate revenue primarily through our three business lines, namely (i) property management services, (ii) value-added services and (iii) green living solutions. Our revenue increased by approximately 7.9% from RMB1,122.3 million for the year ended 31 December 2022 to RMB1,210.9 million for the year ended 31 December 2023.

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	869,547	71.8	766,822	68.3
Value-added services	205,483	17.0	191,968	17.1
Green living solutions	135,884	11.2	163,482	14.6
Total	<u>1,210,914</u>	<u>100.0</u>	<u>1,122,272</u>	<u>100.0</u>

Property Management Services

Our property management services consist of cleaning, security, gardening, repair and maintenance services provided to property developers, property owners and residents. Revenue from property management services increased by approximately 13.4% from RMB766.8 million for the year ended 31 December 2022 to RMB869.5 million for the year ended 31 December 2023. This increase was primarily attributable to the increase in GFA under management.

The table below 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 year ended 31 December											
	2023					2022						
	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	264	53,609	68.9	215	40,955	64.8	240	49,410	69.6	177	30,255	58.9
Non-residential properties	308	24,246	31.1	290	22,245	35.2	294	21,609	30.4	289	21,109	41.1
Total	<u>572</u>	<u>77,855</u>	<u>100.0</u>	<u>505</u>	<u>63,200</u>	<u>100.0</u>	<u>534</u>	<u>71,019</u>	<u>100.0</u>	<u>466</u>	<u>51,364</u>	<u>100.0</u>

In 2023, the Group focused on market expansion and quality management in order to establish more high-quality projects and scale up its business. The Group focused on the current property market and achieved steady growth in scale. As of 31 December 2023, the Group's contracted GFA and GFA under management increased by 9.6% and 23.0%, respectively, compared with the same period last year. Among which, the contracted GFA and the GFA under management for residential properties increased by approximately 8.5% and approximately 35.4%, respectively, compared with the same period last year, and the contracted GFA and the GFA under management for non-residential properties increased by approximately 12.2% and approximately 5.4%, respectively, compared with the same period last year. The non-residential projects served by the Group cover a wide range of high-quality property types such as government office buildings, schools, hospitals, parks, cultural and sports centres, shopping malls, logistics parks and passenger terminals.

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 the dates indicated or for the periods indicated:

	As of or for the year ended 31 December											
	2023					2022						
	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⁾	91	22,614	29.0	85	18,592	29.4	91	23,100	32.6	69	14,814	28.8
Other associates of our controlling shareholders ⁽²⁾	19	4,099	5.3	14	2,579	4.1	13	3,500	4.9	9	1,073	2.1
Third parties	462	51,142	65.7	406	42,029	66.5	430	44,419	62.5	388	35,477	69.1
Total	572	77,855	100.0	505	63,200	100.0	534	71,019	100.0	466	51,364	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).

In 2023, the Group focused on strengthening its independence by expanding projects sourced from third parties. As of 31 December 2023, contracted GFA from third parties increased by approximately 15.1% compared with the same period last year, accounting for 65.7% of the total contracted GFA; GFA under management from third parties increased by approximately 18.5% compared with the same period last year, accounting for 66.5% of the total GFA under management.

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) 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 year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Value-added services to non-property owners				
Sales assistance services	16,979	8.3	20,940	10.9
Preliminary planning and design consultancy services	7,906	3.8	7,004	3.7
Subtotal	24,885	12.1	27,944	14.6
Community value-added services				
Parking space management services	76,690	37.3	58,786	30.6
Home living services	84,796	41.3	92,192	48.0
Communal area leasing services	19,112	9.3	13,046	6.8
Subtotal	180,598	87.9	164,024	85.4
Total	205,483	100.0	191,968	100.0

Revenue from value-added services increased by approximately 7.0% from RMB192.0 million for the year ended 31 December 2022 to RMB205.5 million for the year ended 31 December 2023. This increase was primarily due to the increase in revenue from parking space management services and communal area leasing services as the impact of the epidemic subsided.

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 centralised heating systems; and (ii) systems installation and product sales, where we design and install energy systems to enhance indoor comfort, and sales of our self-developed AIRDINO systems, which singly combine comprehensive capabilities such as fresh air ventilation, temperature regulation, humidification control and air purification.

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

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Energy operation services	125,142	92.1	119,621	73.2
Systems installation and product sales <i>Note</i>	10,742	7.9	43,861	26.8
Total	135,884	100.0	163,482	100.0

Note: In consideration of the relatively small business scale of each type of service of green living solution services, revenue from system installation services and sales of AIRDINO systems are grouped together to provide more meaningful information to Shareholders and investors.

Revenue from green living solutions decreased by approximately 16.9% from RMB163.5 million for the year ended 31 December 2022 to RMB135.9 million for the year ended 31 December 2023. Such decrease was primarily attributable to the reduction in revenue from system installation services and sales of AIRDINO systems as a result of strategic adjustments made to cope with the changing real estate industry.

Cost of Sales

Our cost of sales increased by approximately 5.2% from RMB861.4 million for the year ended 31 December 2022 to RMB906.3 million for the same period in 2023, primarily due to business scale expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 16.8% from RMB260.9 million for the year ended 31 December 2022 to RMB304.7 million for the same period in 2023. Our gross profit margin increased from 23.2% for the year ended 31 December 2022 to 25.2% for the same period in 2023.

	For the year ended 31 December			
	2023		2022	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Property management services	188,117	21.6	153,778	20.1
Value-added services	90,445	44.0	74,069	38.6
Green living solutions	26,098	19.2	33,041	20.2
Total	<u>304,660</u>	25.2	<u>260,888</u>	23.2

Gross profit margin of property management services was approximately 21.6% for the year ended 31 December 2023, representing an increase of approximately 1.5 percentage points as compared to the same period last year. Such increase was primarily attributable to enhanced cost control as a result of comprehensive refined operation measures adopted by the Group.

Gross profit margin of value-added services was approximately 44.0% for the year ended 31 December 2023, representing an increase of approximately 5.4 percentage points as compared to the same period last year, which was primarily due to the active expansion of value-added services, which had high gross profit.

Gross profit margin of green living solutions was approximately 19.2% for the year ended 31 December 2023, representing a decrease of approximately 1.0 percentage points as compared to the same period last year, which was primarily due to the relatively low gross profit of AIRDINO systems sales business undertaken.

Other Net Income

Our other net income decreased by approximately 17.4% from RMB28.4 million for the year ended 31 December 2022 to RMB23.4 million for the year ended 31 December 2023. This decrease was primarily attributable to the change in fair value gain of contingent consideration arising from acquisitions.

Selling Expenses

Our selling expenses increased by approximately 56.0% from RMB11.0 million for the year ended 31 December 2022 to RMB17.2 million for the year ended 31 December 2023. This increase was primarily attributable to the increase in sales personnel headcount due to the Group's active investment in market expansion.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB173.0 million and RMB175.7 million for the years ended 31 December 2022 and 2023, respectively.

Impairment Loss on Goodwill

We incurred impairment loss on goodwill of RMB1.9 million for the year ended 31 December 2023, due to the unfavourable outcome of Qingdao Luohang Enterprises Management Co., Ltd* (青島洛航企業管理有限公司) (“**Qingdao Luohang**”) in 2023 as well as the forecast in the coming year.

Expected Credit Loss on Trade Receivables and Contract Assets

Our expected credit loss on trade receivables and contract assets increased by approximately 6.8% from RMB40.9 million for the year ended 31 December 2022 to RMB43.7 million for the year ended 31 December 2023.

Income Tax

Our income tax increased by approximately 49.4% from RMB12.4 million for the year ended 31 December 2022 to RMB18.5 million for the year ended 31 December 2023. This increase was primarily attributable to the increase in profit before taxation in 2023 as compared to that in 2022.

Profit for the Year

As a result of the foregoing, our profit for the year increased by approximately 38.8% from RMB50.5 million for the year ended 31 December 2022 to RMB70.1 million for the year ended 31 December 2023.

Trade and Other Receivables

As of 31 December 2023, trade and other receivables amounted to RMB571.2 million, representing an increase of approximately 10.2% as compared with RMB518.5 million in 2022. The increase was primarily due to business scale expansion.

Trade and Other Payables

As of 31 December 2023, trade and other payables amounted to RMB404.6 million, representing an increase of approximately 9.8% as compared with RMB368.3 million in 2022. The increase was primarily due to our business expansion.

Goodwill

As of 31 December 2023, our goodwill amounted to RMB179.8 million arising from 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 in March 2021 in expectation of generating synergies from integrating the acquired companies into the Group’s existing property management business, which is expected to help the Group become a more efficient and effective competitor. Our goodwill decreased from RMB181.7 million as of 31 December 2022 to RMB179.8 million as of 31 December 2023, primarily due to the impairment of goodwill from the acquisition of Qingdao Luohang.

Contingent Consideration

The Group’s contingent consideration arose from the performance guarantee provisions of acquisitions of Dalian Yahang and Qingdao Luohang. For details, please refer to the announcements of the Company dated 10 March 2021, 30 March 2021 and 1 August 2023. The Group’s current and non-current contingent consideration decreased by approximately 5.5% from RMB32.3 million as of 31 December 2022 to RMB30.5 million as of 31 December 2023, primarily due to the adjustment of contingent considerations of the acquisitions of Dalian Yahang and Qingdao Luohang based on their actual performances as compared to the performance guarantees.

Capital Structure

Our total assets increased from RMB1,369.3 million as of 31 December 2022 to RMB1,471.9 million as of 31 December 2023. Our total liabilities increased from RMB694.9 million as of 31 December 2022 to RMB758.1 million as of 31 December 2023. Liabilities-to-assets ratio increased from 50.7% as of 31 December 2022 to 51.5% as of 31 December 2023.

The current ratio, being current assets divided by current liabilities as of the respective date, decreased from 1.60 as of 31 December 2022 to 1.56 as of 31 December 2023.

Liquidity, Capital Resources and Gearing Ratio

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 year ended 31 December 2023, we financed our operations primarily through internal resources 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 utilised 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 approximately 28.7% from RMB396.1 million as of 31 December 2022 to RMB509.8 million as of 31 December 2023.

Our gearing ratio, being total interest-bearing borrowings divided by total equity, decreased from 0.85% as of 31 December 2022 to 0.51% as of 31 December 2023. Our interest-bearing borrowings as of 31 December 2023 consisted of an amount due to a related party, being the payment of bank loans on behalf of the Group by a company controlled by Mr. Zhang Peng of RMB3.6 million (31 December 2022: RMB5.8 million) which bears an interest rate of 4.35% per annum.

Capital Expenditure

Our capital expenditure increased by approximately 15.0% from RMB9.1 million for the year ended 31 December 2022 to RMB10.4 million for the year ended 31 December 2023. Our capital expenditure was used primarily for the purchase of office and other equipment, software and operation rights.

Indebtedness

Bank Loans

As of 31 December 2023, the Group did not have any outstanding bank loans or any banking facilities (as of 31 December 2022: nil).

Contingent Liabilities

As of 31 December 2023, 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 our Group that were likely to have a material and adverse effect on our business, financial condition or results of operations.

Final Dividends

The Board has recommended the payment of a final dividend of HK\$0.042 per Share for the year ended 31 December 2023, being HK\$42.0 million in aggregate (HK\$0.03 per Share for the year ended 31 December 2022, being HK\$30.0 million in aggregate). Subject to the approval of Shareholders at the annual general meeting to be held on Thursday, 20 June 2024 (the “**AGM**”), the final dividend is expected to be paid in Hong Kong dollar on Thursday, 18 July 2024 to the Shareholders whose names appear on the register of members of the Company on Friday, 5 July 2024 (the “**Record Date**”).

In case of any change in the total number of issued Shares between the date of the Board’s recommendation of the 2023 final dividend (being 26 March 2024) and the Record Date, the Company intends to keep the total dividend payout of HK\$42.0 million unchanged and adjust the amount of dividend per Share accordingly, with the specific adjustments to be announced separately.

Pledge of Assets

As of 31 December 2023, the Group did not have any pledge on its assets.

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

(a) Acquisition of Century Golden Resources Services Group Co., Ltd.

On 21 November 2022, the Company as purchaser entered into a share transfer agreement with View Max Limited (景至有限公司) and Platinum Wish Limited (鉑願有限公司) as vendors (the “**Vendors**”) in relation to the acquisition of 8% of the issued share capital of Century Golden Resources Services Group Co., Ltd. (世紀金源服務集團有限公司) by the Company (the “**CG Acquisition**”). On 30 March 2023, the Company entered into the supplemental agreement with the Vendors to extend the long stop date to 31 December 2023. As additional time is required for the fulfilment or waiver of the conditions precedent to the agreement (as amended and supplemented by the supplemental agreement), the Company and the Vendors entered into a second supplemental agreement on 28 December 2023, pursuant to which the Vendors and the Company have agreed to further extend the long stop date to 30 June 2024.

Completion of the CG Acquisition is subject to the satisfaction of the conditional precedents as set out in the share transfer agreement (as amended and supplemented by the supplemental agreement and the second supplemental agreement). As of the date of this announcement, the CG Acquisition has not been completed. Further announcement(s) will be made by the Company as and when appropriate. For details, please also refer to the announcements of the Company dated 21 November 2022, 30 December 2022, 30 March 2023, 20 June 2023, 13 October 2023 and 28 December 2023 and the circular of the Company dated 31 May 2023.

(b) Formation of joint venture company with Anhui Peifan Venture Capital Co., Ltd.

On 4 May 2023, First Property Service (Anhui) Co., Ltd.* (第一物業服務安徽有限公司), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement (the “**Joint Venture Agreement**”) with Anhui Peifan Venture Capital Co., Ltd.* (安徽沛繁創業投資有限公司) (the “**Joint Venture Partner**”) in relation to the formation of a joint venture company to be established under the laws of the PRC (the “**Joint Venture Company**”). Pursuant to the Joint Venture Agreement, at the time of

establishment of the Joint Venture Company, the Joint Venture Company was owned as to 50% by the Group and 50% by the Joint Venture Partner, and was principally engaged in the provision of property management services, non-residential real estate leasing, labor services, parking lot services, building cleaning services, urban greening management services and other related businesses. For details, please refer to the announcement of the Company dated 4 May 2023.

Save as disclosed above, the Group did not conduct any material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2023. 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.

Significant Events After the Reporting Period

(a) Acquisition of 51% Equity Interest in Dalian Shihang Construction Engineering Co., Ltd.

On 31 January 2024, First Property Beijing, an indirectly wholly-owned subsidiary of the Company, and Liaoning Baiyitong Investment Holdings Co., Ltd.* (遼寧佰億通投資控股有限公司) (“**Baiyitong**”) entered into an equity transfer agreement, pursuant to which (i) Baiyitong agreed to sell and First Property Beijing agreed to acquire 51% equity interest in Dalian Shihang Construction Engineering Co., Ltd.* (大連世航建設工程有限公司) (“**Dalian Shihang**”) at nil consideration, and (ii) the First Property Beijing agreed to make capital contribution of RMB5.1 million in cash to Dalian Shihang, accounting for 51% of its registered capital. Immediately following the completion of the acquisition, the Company will hold 51% equity interest in Dalian Shihang. Dalian Shihang will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group’s financial statements. As of the date of the equity transfer agreement, Mr. Bai Ding (白丁) (i) was a substantial shareholder of Dalian Yahang, a subsidiary of the Company, and (ii) held 80% of the entire issued share capital of Baiyitong and accordingly Baiyitong is an associate of Mr. Bai Ding. Accordingly, each of Mr. Bai Ding and Baiyitong is a connected person of the Company and the acquisition of Dalian Shihang constitutes a connected and discloseable transaction of the Company under the Listing Rules.

(b) Master Construction Maintenance Services Agreement with Dalian Shihang Construction Engineering Co., Ltd.

On 31 January 2024, the Company and Dalian Shihang entered into the master construction maintenance services agreement, pursuant to which members of the Group shall procure construction maintenance services from members of Dalian Shihang, its subsidiaries and 30%-controlled companies, which comprise of construction, repair and maintenance services for houses, roads, parks, construction projects and landscaping projects. The transactions contemplated under the master construction maintenance services agreement constitute continuing connected transactions of the Company under the Listing Rules.

For details, please refer to the announcement of the Company dated 31 January 2024.

Save as disclosed above and the recommendation of the payment of a final dividend of HK\$0.042 per Share for the year ended 31 December 2023, there is no other material event subsequent to 31 December 2023 which could have a material impact on the operating and financial performance of the Group as of the date of this announcement.

Annual General Meeting

The AGM will be held on Thursday, 20 June 2024. 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 Monday, 17 June 2024 to Thursday, 20 June 2024 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 14 June 2024.

For determining the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will also be closed from Wednesday, 3 July 2024 to Friday, 5 July 2024 (both days inclusive). The Record Date is Friday, 5 July 2024. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 2 July 2024.

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 2023, we had a total of 3,304 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; (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; and (v) the "Long March Scheme" (長征計劃) to focus on the long term growth of our employees, which includes creating a compliant and dedicated environment, focusing on the vitality of core talents, setting up employee care groups and performance counselling groups to care for the employees and conduct performance coaching to convey warmth of the organisation and foster service culture, improving the internal talent mobility mechanisms, and designing an appraisal mechanism related to performance and an incentive and accountability 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 (as defined below) to incentivise qualified employees and a Share Award Scheme (as defined below) to retain eligible persons.

Use of Proceeds

The Company was listed on the Stock Exchange on 22 October 2020 (the “**Listing Date**”). 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 27 December 2023 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 31 December 2023:

	Percentage of revised intended use of proceeds (%)	Revised intended use of proceeds from the Global Offering	Amount of utilised proceeds as of 31 December 2023	Amount of unutilised proceeds as of 31 December 2023	Timeframe for the unutilised balance
Revised intended use of proceeds					
			<i>(In HK\$ millions)</i>		
Strategic acquisitions or investments in property management companies and market expansion	38.0	217.1	205.8	11.3	By the end of 2026
Distribute to the Shareholders by way of cash dividend	32.0	182.8	97.7	85.1	By the end of 2026
Develop our intelligent community and enhance our information technology systems	10.0	57.1	11.0	46.1	By the end of 2026
Upgraded our internal systems	2.8	16.0	3.2	12.8	By the end of 2026
Develop our intelligent community	7.2	41.1	7.8	33.3	By the end of 2026

Revised intended use of proceeds	Percentage of revised intended use of proceeds (%)	Revised intended use of proceeds from the Global Offering	Amount of utilised proceeds as of 31 December 2023 <i>(In HK\$ millions)</i>	Amount of unutilised proceeds as of 31 December 2023	Timeframe for the unutilised balance
Implementation of the “five talents” strategy (五才戰略) and other employee expenses	10.0	57.1	24.1	33.0	By the end of 2026
General business operations and working capital	10.0	57.1	57.1	–	–
Total	100.0	571.2	395.7	175.5	

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 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 unutilised net proceeds in the manner disclosed in the Prospectus.

SHARE OPTION SCHEME

The share option scheme (the “**Share Option Scheme**”) was conditionally approved and adopted by our Shareholders on 25 September 2020 and effective upon listing. The purpose of the Share Option Scheme is to provide our Company with a means of incentivizing any Eligible Person (as defined in the Prospectus) 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, with a remaining life of six years and five months as at the date of this announcement. The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and all other share option schemes existing at such time shall not exceed 10% of the total number of Shares in issue as of the Listing Date. The maximum number of Shares which may be awarded to an Eligible Person under the Share Option Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The exercise price shall be a price determined by the Board at the Board's absolute discretion and notified to an Eligible Person but in any event shall be at least the higher of (i) the closing price of the Shares on the offer date; (ii) the average of the closing price of the Shares for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share on the offer date. Since the adoption of the Share Option Scheme and up to 31 December 2023, 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.

SHARE AWARD SCHEME

The Company adopted the 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, with a remaining life of seven years and one month as at the date of this announcement. The Board may, from time to time at its absolute discretion, select any Eligible Participants for participation in the Share Award Scheme, and grant such number of share awards to any Eligible Participants at any consideration deemed appropriate by the Board (including, for the avoidance of doubt, no consideration payable) on and subject to such terms and conditions as it may in its absolute discretion determine. 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. No share awards under the Share Award Scheme were granted nor vested since the adoption of the Share Award Scheme and for the year ended 31 December 2023 and as of 31 December 2023, there were 40,122,500 Shares held by the trustee appointed for the purpose of administering the Share Award Scheme (the “**Trustee**”).

The total number of new Shares which is available for further grant under the Share Option Scheme and the Share Award Scheme is 100,000,000, representing 10% of the issued share capital of the Company as of the date of this announcement.

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. In 2021, 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 grant, have been granted and vested. No awards were granted under the Cedar Share Award Scheme for the year ended 31 December 2023.

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 the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix C1 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 2023. 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 C3 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 2023.

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

During the year ended 31 December 2023, the Company had entrusted the Trustee under the Share Award Scheme to purchase, in aggregate, 21,372,500 Shares on market at the aggregate consideration of approximately RMB8.2 million. No share awards under the Share Award Scheme were granted nor vested during the year ended 31 December 2023 and 40,122,500 Shares were held by the Trustee as of 31 December 2023.

Save as disclosed above, during the year ended 31 December 2023, 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. Cheng Peng and Mr. Chen Sheng (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 2023 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 2023, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 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 2023

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 2023 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, 26 March 2024

As at the date of this announcement, our executive Directors are Mr. Liu Peiqing, 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, Mr. Cheng Peng and Mr. Chen Sheng.

* *For identification purposes only*