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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 2020**

### **HIGHLIGHTS**

- Revenue for the year ended 31 December 2020 amounted to approximately RMB771.8 million, representing an increase of approximately 23.5% as compared with 2019.
- Gross profit for the year ended 31 December 2020 amounted to approximately RMB267.3 million, representing an increase of approximately 22.9% as compared with 2019.
- Profit for the year ended 31 December 2020 amounted to approximately RMB101.9 million, representing an increase of approximately 21.5% as compared with 2019.
- Profit for the year ended 31 December 2020 (excluding the effect of one-off listing expenses) amounted to approximately RMB119.7 million, representing an increase of approximately 41.5% as compared with 2019. Net profit margin (excluding the effect of one-off listing expenses) increased by two percentage points to approximately 15.5% as compared with 2019.
- Profit attributable to equity shareholders of the company (excluding the effect of one-off listing expenses) for the year ended 31 December 2020 amounted to approximately RMB112.6 million, representing an increase of approximately 44.4% as compared with 2019.
- As of 31 December 2020, our total gross floor area (“GFA”) under management amounted to approximately 19.1 million sq.m., representing an increase of approximately 39.4% as compared with 2019, among which GFA under management sourced from third-party developers increased by approximately 125.0% as compared with 2019.
- As of 31 December 2020, the total contracted GFA amounted to approximately 37.3 million sq.m., representing an increase of approximately 45.1% as compared with 2019, among which contracted GFA sourced from third-party developers increased by approximately 61.9% as compared with 2019.
- The Board has recommended the payment of a final dividend of HK3.97 cents per share for the year ended 31 December 2020.

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 2020, together with comparative figures for the year ended 31 December 2019.

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

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

*For the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>	4	<b>771,799</b>	624,679
Cost of sales		<u>(504,455)</u>	<u>(407,170)</u>
<b>Gross profit</b>		<u>267,344</u>	<u>217,509</u>
Other income	5	<b>26,676</b>	33,479
Selling expenses		<b>(9,557)</b>	(8,128)
Administrative expenses		<b>(159,672)</b>	(135,822)
Finance costs		<b>(235)</b>	(154)
Share of loss of an associate		<b>(637)</b>	–
Share of loss of joint ventures		<b>(6)</b>	–
<b>Profit before taxation</b>	6	<b>123,913</b>	106,884
Income tax	7	<b>(22,062)</b>	(23,022)
<b>Profit for the year</b>		<u>101,851</u>	<u>83,862</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>94,829</b>	77,294
Non-controlling interests		<b>7,022</b>	6,568
<b>Profit for the year</b>		<u>101,851</u>	<u>83,862</u>
<b>Earnings per share</b>	8		
Basic and diluted ( <i>RMB</i> )		<u>0.1188</u>	<u>0.1037</u>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>	<b>101,851</b>	83,862
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
Items 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)	690	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(4,253)	–
<b>Other comprehensive income for the year</b>	<b>(3,563)</b>	–
<b>Total comprehensive income for the year</b>	<b>98,288</b>	83,862
<b>Attributable to:</b>		
Equity shareholders of the Company	91,266	77,294
Non-controlling interests	7,022	6,568
<b>Total comprehensive income for the year</b>	<b>98,288</b>	83,862

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<b>Non-current assets</b>			
Investment properties		<b>14,638</b>	14,404
Property, plant and equipment		<b>7,800</b>	7,318
Intangible assets		<b>7,017</b>	10,389
Interest in joint ventures		<b>744</b>	250
Interest in an associate		<b>1,882</b>	–
Other financial assets		<b>6,920</b>	6,000
Deferred tax assets		<b>12,574</b>	12,000
		<b>51,575</b>	50,361
<b>Current assets</b>			
Inventories		<b>795</b>	953
Loan receivables		–	140,000
Financial assets measured at fair value through profit or loss (“FVPL”)		<b>89,099</b>	76,569
Contract assets		<b>28,627</b>	7,956
Trade and other receivables	<i>10</i>	<b>307,770</b>	183,972
Restricted cash		<b>2,449</b>	300
Cash and cash equivalents		<b>731,666</b>	260,128
		<b>1,160,406</b>	669,878

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>254,042</b>	203,959
Contract liabilities		<b>278,331</b>	226,566
Current taxation		<b>4,304</b>	2,443
Bank loans		–	9,997
		<u><b>536,677</b></u>	<u>442,965</u>
<b>Net current assets</b>		<u><b>623,729</b></u>	<u>226,913</u>
<b>Total assets less current liabilities</b>		<u><b>675,304</b></u>	<u>277,274</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u><b>995</b></u>	<u>566</u>
		<u><b>995</b></u>	<u>566</u>
<b>NET ASSETS</b>		<u><b>674,309</b></u>	<u>276,708</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>1</b>	–
Reserves		<u><b>653,750</b></u>	<u>243,115</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>653,751</b>	243,115
<b>Non-controlling interests</b>		<u><b>20,558</b></u>	<u>33,593</u>
<b>TOTAL EQUITY</b>		<u><b>674,309</b></u>	<u>276,708</u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interest in an associate and joint ventures.

The Company was incorporated in the Cayman Islands on 20 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 October 2020 (the "**Listing**").

Prior to the incorporation of the Company, the principal business of the Group were carried out by First Property Management and its subsidiaries, and First Living and its subsidiaries. Pursuant to a group reorganisation to rationalise the corporate structures in preparation of the listing of the Company's shares on the Stock Exchange, which was completed on 29 May 2020 (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group.

As part of the Reorganisation, First Property Management acquired 72.1% equity interests in First Living held by Mr. Zhang Lei in February 2020, and the Company, through its wholly owned subsidiaries, acquired the 68.8% equity interests in First Property Management in April 2020 and the remaining 31.2% equity interests in First Property Management in May 2020, at a total consideration of RMB283,754,000. As First Property Management and First Living were both ultimately controlled by Mr. Zhang Lei before and after the Reorganisation and that control was not transitory and consequently, the acquisition of First Living by First Property Management has been accounted for using the merger basis of accounting with the assets and liabilities of First Living and its subsidiaries combined using the existing book values from Mr. Zhang Lei's perspective. In addition, there were no changes in the economic substance of the ownership of First Property Management and the business of the Group after inserting the Company and its wholly owned subsidiaries, all of which are newly formed entities with no substantive operations, as new holding companies of First Property Management. Consequently, the consolidated financial statements for the years ended 31 December 2020 and 2019 have been prepared and presented as a continuation of the consolidated financial statements of First Property Management with the assets and liabilities recognised and measured using the existing book values from Mr. Zhang Lei's perspective.

The Group are principally engaged in the provision of property management services, services in the area of green living solutions and value-added services in the People's Republic of China (the "**PRC**"). The consolidated financial statements are presented in Renminbi ("**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. The functional currency of the Company and the Company's subsidiaries outside the mainland China is Hong Kong dollars.

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

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

## 2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Other than above amendments, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

### **Amendments to IFRS 3, *Definition of a Business***

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

### **Amendment to IFRS 16, *Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. There is no impact on the opening balance of equity at 1 January 2020.

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty in the preparation of the consolidated financial statements are as follows:

**(i) Expected credit losses for receivables**

The credit losses for trade and other receivables are based on assumptions about risk of expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowances in future periods.

**(ii) Recognition of deferred tax assets**

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determine the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future periods.

**(iii) Valuation of investment properties**

Investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidences of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation where involves, inter alia, certain estimates including market prices, prevailing market rents for comparable properties in the same location and condition, appropriate discount rate and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the end of each reporting period.



## 4 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, 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 measured.

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 years ended 31 December 2020 and 2019 is set out below.

	<b>First Property Management</b>		<b>First Living</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Disaggregated by timing of revenue recognition</b>						
Revenue recognised over time	<b>677,343</b>	557,884	<b>93,315</b>	59,289	<b>770,658</b>	617,173
Revenue recognised at point in time	<u>–</u>	<u>–</u>	<u><b>13,468</b></u>	<u>12,491</u>	<u><b>13,468</b></u>	<u>12,491</u>
<b>Reportable segment revenue</b>	<u><b>677,343</b></u>	<u>557,884</u>	<u><b>106,783</b></u>	<u>71,780</u>	<u><b>784,126</b></u>	<u>629,664</u>
<b>Disaggregated by major products or service lines</b>						
— Property management services	<b>321,649</b>	272,836	–	–	<b>321,649</b>	272,836
— Green living solutions	<b>97,825</b>	87,615	<b>106,783</b>	71,780	<b>204,608</b>	159,395
— Value-added services	<u><b>257,869</b></u>	<u>197,433</u>	<u>–</u>	<u>–</u>	<u><b>257,869</b></u>	<u>197,433</u>
<b>Reportable segment revenue</b>	<u><b>677,343</b></u>	<u>557,884</u>	<u><b>106,783</b></u>	<u>71,780</u>	<u><b>784,126</b></u>	<u>629,664</u>
<b>Reportable segment profit</b>	<b>101,642</b>	89,994	<b>22,123</b>	16,890	<b>123,765</b>	106,884
Interest income	<b>5,408</b>	15,220	<b>79</b>	127	<b>5,487</b>	15,347
Interest expense	–	–	<b>235</b>	154	<b>235</b>	154
Depreciation and amortisation for the year	<b>2,975</b>	3,270	<b>511</b>	403	<b>3,486</b>	3,673
Expected credit losses — trade and other receivables and contract assets	<b>9,051</b>	9,873	<b>1,185</b>	430	<b>10,236</b>	10,303
<b>Reportable segment assets</b>	<b>758,340</b>	615,996	<b>124,289</b>	105,215	<b>882,629</b>	721,211
<b>Reportable segment liabilities</b>	<b>505,616</b>	411,178	<b>51,627</b>	33,325	<b>557,243</b>	444,503

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue	<b>784,126</b>	629,664
Elimination of inter-segment revenue	<b>(12,327)</b>	(4,985)
Consolidated revenue	<b><u>771,799</u></b>	<u>624,679</u>
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Reportable segment profit</b>		
Reportable segment profit	<b>123,765</b>	106,884
Unallocated head office and corporate profit before taxation	<b>148</b>	–
Consolidated profit before taxation	<b><u>123,913</u></b>	<u>106,884</u>
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Assets</b>		
Reportable segment assets	<b>882,629</b>	721,211
Unallocated head office and corporate assets	<b>575,502</b>	–
Elimination of inter-segment balances	<b>(246,150)</b>	(972)
Consolidated total assets	<b><u>1,211,981</u></b>	<u>720,239</u>
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Liabilities</b>		
Reportable segment liabilities	<b>557,243</b>	444,503
Elimination of inter-segment balances	<b>(19,571)</b>	(972)
Consolidated total liabilities	<b><u>537,672</u></b>	<u>443,531</u>

## 5 OTHER INCOME

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income	(i)	<b>5,843</b>	15,347
Government grants	(ii)	<b>16,293</b>	10,564
Net realised gains on financial assets measured at FVPL		<b>2,841</b>	2,664
Fair value gain of investment properties		<b>234</b>	2,266
Net valuation gains on financial assets measured at FVPL		<b>590</b>	2,133
Net gains on disposal of property, plant and equipment		<b>4</b>	383
Loss on disposal of subsidiaries		<b>(176)</b>	–
Others		<b>1,047</b>	122
		<b>26,676</b>	33,479

### Notes:

- (i) The interest income represents the interest from cash at bank and loan receivables to third parties 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.

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Staff costs

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	<b>213,313</b>	221,176
Contributions to defined contribution retirement plan	<b>12,207</b>	15,076
	<b>225,520</b>	236,252

(b) Other items

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amortisation cost of intangible assets	1,366	1,293
Depreciation charge		
— owned property, plant and equipment	2,120	2,380
Expected credit loss		
— trade and other receivables and contract assets	10,236	10,303
Auditors' remuneration		
— audit services	1,415	739
Listing expenses	26,797	981
Cost of inventories	8,514	6,870
Lease expenses		
— short-term leases	3,607	2,056

**7 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax — PRC Corporate Income Tax</b>		
Provision for the year	22,499	26,126
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(437)</u>	<u>(3,104)</u>
	<u>22,062</u>	<u>23,022</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	123,913	106,884
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	30,978	26,721
Tax effect of PRC preferential tax	(9,200)	(5,667)
Tax effect of non-deductible expenses	771	745
Tax effect of tax losses not recognised	186	1,223
Tax effect of utilisation of tax losses not recognised in previous years	<u>(673)</u>	<u>—</u>
	<u>22,062</u>	<u>23,022</u>

## 8 EARNINGS PER SHARE

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Profits</b>		
Profit attributable to equity shareholders of the Company	<u><b>94,829</b></u>	<u>77,294</u>

	<b>2020</b>	2019
	<b>'000</b>	'000

### Number of shares

Weighted average number of ordinary shares	<u><b>798,497</b></u>	<u>745,403</u>
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Weighted average of 798,497,000 ordinary shares for the year ended 31 December 2020, includes the weighted average of 250,000,000 ordinary shares issued immediately after the completion of placing, in addition to the 750,000,000 ordinary shares, being the number of shares in issue immediately after the completion of capitalization issue in October 2020, deemed to have been issued throughout the year ended 31 December 2020.

For the purpose of computing basic and diluted earnings per share for 2019, the aforementioned 750,000,000 ordinary shares are deemed to have been issued throughout the year of 2019, having been adjusted retroactively for the proportional changes in the number of ordinary shares as a result of new shares issued by First Property Management in September 2019.

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 2020 and 2019.

## 9 DIVIDENDS

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HK3.97 cents (2019: nil) per ordinary share	<u><b>33,190</b></u>	<u>–</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.

- (b) There was no dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

- (c) Dividend of nil and RMB161,914,000 have been declared and dividend of RMB38,391,000 and RMB123,523,000 have been paid by First Property Management to the then shareholders during the year of 2020 and 2019, respectively.

Dividend of RMB18,000,000 has been declared and paid by First Living to the then shareholders during the year of 2020.

## 10 TRADE AND OTHER RECEIVABLES

	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<b>184,230</b>	139,896
Less: Allowance for trade receivables	<b>(47,843)</b>	(37,769)
	<b>136,357</b>	102,127
Amounts due from related parties	<b>124,011</b>	39,259
Deposits and prepayments	<b>19,168</b>	19,961
Value added tax prepaid	<b>9,526</b>	8,426
Other receivables	<b>19,332</b>	14,823
Less: Allowance for other receivables	<b>(624)</b>	(624)
	<b>307,770</b>	183,972

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

Amounts due from related parties are unsecured and interest free.

### (a) Ageing analysis

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

	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<b>96,210</b>	87,367
1 to 2 years	<b>31,754</b>	9,939
2 to 3 years	<b>5,661</b>	4,026
3 to 4 years	<b>2,535</b>	581
4 to 5 years	<b>197</b>	214
	<b>136,357</b>	102,127

**(b) Impairment of trade receivables**

The movements in the allowance for doubtful debts on trade receivables during the reporting period are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	<b>37,769</b>	27,665
Credit loss recognised	<b>10,427</b>	10,104
Written-off	<b>(73)</b>	–
Effect on disposal of subsidiaries	<b>(250)</b>	–
	<hr/>	<hr/>
At 31 December	<b>47,843</b>	37,769
	<hr/> <hr/>	<hr/> <hr/>

**11 TRADE AND OTHER PAYABLES**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	<b>77,414</b>	38,380
Amounts due to related parties	<b>15,165</b>	12,746
Other taxes and charges payable	<b>11,498</b>	7,736
Dividend payable	–	38,391
Accrued payroll and other benefits	<b>33,978</b>	26,489
Deposits	<b>44,643</b>	33,583
Other payables and accruals	<b>71,344</b>	46,634
	<hr/>	<hr/>
	<b>254,042</b>	203,959
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	<b>74,798</b>	37,087
1 to 2 years	<b>2,164</b>	1,019
2 to 3 years	<b>209</b>	92
Over 3 years	<b>243</b>	182
	<hr/>	<hr/>
	<b>77,414</b>	38,380
	<hr/> <hr/>	<hr/> <hr/>



## **12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**

### **(a) Acquisition of 80% equity interests in a company**

On 10 March 2021, the Company, through a wholly owned subsidiary, entered into a purchase agreement with certain third parties to acquire 80% equity interest in the 大連亞航物業管理有限公司 (Dalian Yahang Property Management Co., Ltd.) a company principally engaged in providing management services, at a consideration of RMB93.2 million. Up to the date of these consolidated financial statements, the above acquisition has yet completed.

### **(b) Proposed final dividends**

On 22 March 2021, the directors of the Company proposed a final dividend. Further details are disclosed in Note 9.

## **BUSINESS REVIEW AND OUTLOOK**

### **Overview**

We provide property management services that promote comfortable living through technological innovation and green living solutions that cover the full property life-cycle. While catering to all stages of the property life cycle, we strive to provide customers with digitally connected, green and healthy living experiences in residential and non-residential properties. As of 31 December 2020, we had contracted to provide property management services in 72 cities across 21 provinces and municipalities in China.

We witnessed both opportunities and challenges in the year ended 31 December 2020. Although our operations were adversely affected by the outbreak of the 2019 Novel Coronavirus (the “**COVID-19**”) in the first half of 2020, we achieved rapid growth during the year ended 31 December 2020. Our revenue increased by 23.5% from RMB624.7 million for the year ended 31 December 2019 to RMB771.8 million for the year ended 31 December 2020, and our profit for the year increased by 21.5% from RMB83.9 million for the year ended 31 December 2019 to RMB101.9 million for the year ended 31 December 2020, primarily due to the growth of our GFA under management from 13.7 million sq.m. as of 31 December 2019 to 19.1 million sq.m. as of 31 December 2020.

The successful listing of our shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 22 October 2020 (the “**Listing**”) marked a significant milestone for us and laid a solid foundation for our future development. We believe the Listing enables us to improve our capital strength and corporate governance as well as sharpen our competitive edge.

### **2020 Business and Financial Performance Review**

We derive our revenue from three business lines, namely (i) property management services, (ii) green living solutions and (iii) value-added services.

#### ***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. For the year ended 31 December 2020, our revenue from property management services amounted to approximately RMB321.6 million, representing an increase of 17.9% compared with the same period in 2019. Such increase was primarily due to the growth of both GFA under management and total number of projects.

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

	As of or for the year ended 31 December					
	2020			2019		
	No. of projects	GFA under management sq.m. '000	%	No. of projects	GFA under management sq.m. '000	%
Modern Land (China) Co., Limited (當代置業(中國)有限公司) and its subsidiaries (“Modern Land Group”)	72	10,651	55.8	57	8,734	63.8
Other associates of our controlling shareholders <sup>(1)</sup>	7	1,230	6.4	9	1,728	12.6
Third-party developers	52	7,197	37.8	28	3,228	23.6
<b>Total</b>	<b>131</b>	<b>19,078</b>	<b>100.0</b>	<b>94</b>	<b>13,690</b>	<b>100.0</b>

Note:

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

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

	As of or for the year ended 31 December									
	2020					2019				
	No. of contracted projects <sup>(1)</sup>	Contracted GFA		Undelivered GFA contracted		No. of contracted projects <sup>(1)</sup>	Contracted GFA		Undelivered GFA	
	sq.m. '000	%	sq.m. '000	%		sq.m. '000	%	sq.m. '000	%	
Modern Land Group	108	17,685	47.5	7,034	38.7	82	12,941	50.3	4,207	35.0
Other associates of our controlling shareholders <sup>(1)</sup>	21	3,827	10.3	2,597	14.3	19	3,032	11.8	1,304	10.8
Third-party developers	103	15,742	42.2	8,545	47.0	64	9,748	37.9	6,520	54.2
<b>Total</b>	<b>232</b>	<b>37,254</b>	<b>100.0</b>	<b>18,176</b>	<b>100.0</b>	<b>165</b>	<b>25,721</b>	<b>100.0</b>	<b>12,031</b>	<b>100.0</b>

As of 31 December 2020, our contracted GFA amounted to approximately 37.3 million sq. m. sourced from 232 contracted projects, among which 131 contracted projects amounted to approximately 19.1 million sq. m. were already under our management.

### ***Green Living Solutions***

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

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

	<b>Year ended 31 December</b>			
	<b>2020</b>		<b>2019</b>	
	<b><i>RMB'000</i></b>	<b>%</b>	<b><i>RMB'000</i></b>	<b>%</b>
Energy operation services	<b>101,918</b>	<b>52.7</b>	88,756	57.4
Systems installation services	<b>50,361</b>	<b>26.0</b>	34,278	22.2
Green technology consulting services	<b>27,725</b>	<b>14.3</b>	19,484	12.6
Sales of AIRDINO systems	<b>13,467</b>	<b>7.0</b>	12,032	7.8
Total	<b><u>193,471</u></b>	<b><u>100.0</u></b>	<b><u>154,550</u></b>	<b><u>100.0</u></b>

## *Value-added Services*

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

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

	<b>Year ended 31 December</b>			
	<b>2020</b>		<b>2019</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Value-added services to non-property owners</b>				
Sales assistance services	<b>135,214</b>	<b>52.7</b>	91,541	46.4
Preliminary planning and design consultancy services	<b>4,163</b>	<b>1.6</b>	8,904	4.5
Subtotal	<b>139,377</b>	<b>54.3</b>	100,445	50.9
<b>Community value-added services</b>				
Parking space management services	<b>49,782</b>	<b>19.4</b>	46,317	23.5
Home living services	<b>57,413</b>	<b>22.4</b>	32,253	16.3
Communal area leasing services	<b>10,106</b>	<b>3.9</b>	18,296	9.3
Subtotal	<b>117,301</b>	<b>45.7</b>	96,866	49.1
Total	<b>256,678</b>	<b>100.0</b>	197,311	100.0

## **Effects of the Outbreak of COVID-19**

The global outbreak of COVID-19 brought along unprecedented challenges to the global economy including the property management service industry. In response to the global outbreak of COVID-19, we have implemented various measures for the safety of our staff as well as our customers in the communities we service to prevent transmission of or mitigate exposure to the disease including, among others, setting up control points for temperature screening, 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 providing suitable protective gear for our staff.

Although our business was temporarily hampered by the measures adopted by the PRC Government in response to the outbreak of COVID-19 in the first half of 2020 as we experienced temporarily disruption to our operations including (i) delay in delivery of one of our contracted property management project, (ii) temporary suspension of our various projects including ongoing green technology consulting projects, system installation projects and AIRDINO systems, property development and redevelopment project and (iii) reduction of our service needs due to temporary closure of sales and leasing office, all our services, projects and systems have resumed full services in the second half of 2020 and we did not encounter any material disruption to our business operations and supply chain, nor any termination of our property management contracts and green living solutions engagements. We also did not experience any labor shortages or interruption to the collection of our property management fees.

Under the leadership of our management and the effort of our staff, our business expanded as we have originally planned in the year ended 31 December 2020, our revenue for the year ended 31 December 2020 increased as compared to the same period in 2019. Overall, we believe that the outbreak of COVID-19 has not resulted in any material adverse effects on our operations and financial performance for the year ended 31 December 2020.

## Business Outlook

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

- ***Continue to expand the scale of our property management business through multiple channels.*** We will implement certain business development initiatives to enhance our popularity among property developer clients and expand our market share, including (i) strengthening our existing and establishing new relationships with companies that oversee and manage property development projects, and digital twins service providers that can build visual simulations of property development projects to facilitate effective management, (ii) building relationships with the Internet of Things (“IoT”) service providers who are often involved in the early stages of developing commercial properties and public facilities, and (iii) ramping up marketing and public relations initiatives in relation to third-party developers by participating in more industry conferences and tender biddings. We also intend to strategically acquire or invest in small- and medium-sized property management companies. As disclosed in the announcement of the Company dated 10 March 2021, the Group has entered into an equity transfer agreement with, among others, Beijing Tonghe Property Management Co., Ltd., pursuant to which, the Group has agreed to acquire 80% equity interest in Dalian Yahang Property Management Co., Ltd., a company established under the laws of the PRC and is principally engaged in providing property management services at a total consideration of RMB93,200,160. As of 10 March 2021, Dalian Yahang Property Management Co., Ltd. managed approximately 150 property management projects with a total GFA under management of approximately 19.0 million sq.m. in Liaoning, Tianjin, Sichuan, Beijing, Shaanxi, Hunan, Hubei, etc. We will continue to identify suitable targets with a focus our expansion efforts on the Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta Regions and Shanxi province.
- ***Invest in energy operation projects and obtain energy operation rights.*** In 2020, we obtained several new energy operation projects, consisting of energy operation projects which cover heat providing areas of over 0.4 million sq.m. and 0.09 million sq.m. in Shangqiu, Henan province and one in Chengde, Hebei province respectively. We will enhance our business by investing in new energy operation projects, acquiring and upgrading existing energy operation projects and providing maintenance services. We will consider criteria including nature of property, location, size and investment return in evaluating our potential investments in energy operation projects. We have a preference for first- and second-tier cities and suburban areas, servicing residential communities, commercial offices, schools and hospitals. Depending on the needs of particular projects, we tailor our services with a view to obtain long term operation rights.

- Develop our intelligent community and enhance our information technology systems.*** We will enhance our information technology systems and develop our intelligent community to enhance our customer’s experience through hardware upgrades so as to enhance our operational results. Particularly, we will develop and continue to upgrade a multi-functional and user-friendly online platform to enhance the living experiences of our property owners and residents. We will also establish an IoT platform for centralized coordination of security in residential communities and energy data collection. The platform will be supported by hardware upgrades of our access control and surveillance facilities and energy data collection equipment. We also plan to carry out similar software and hardware upgrading initiatives to build an automated car park management system and other security systems. In addition, we will fortify our information technology systems as it is key to our business and administrative functions. We also intend to develop three online platforms to support our employees, senior management officers and customers in their daily interactions with our business.
- Continue to research and develop green technologies for commercialization.*** We will continue researching and developing green technologies that allow us to build comfortable and green communities. We will delve into research on energy system technologies that allow us to attain the “Four Stabilizing Goals”. For example, we will study the cross-seasonal energy storage capabilities in connection with ground-source heat pump systems; one of our research projects relates to storing energy in the winter for use in the summer to provide central cooling. We will explore the possibility of enhancing our operating efficiencies by operating energy stations through IoT, big data and artificial intelligence technologies. We will also continue to upgrade our AIRDINO systems to refine their existing functions primarily by enhancing existing hardware. In addition, as our green initiatives, we will provide all-rounded carbon related consultation services and carbon exploration management services such as carbon emission check, low carbon conservation consultation, integrated energy saving design and operation services.
- Continue to attract and nurture talent.*** We believe the caliber of our employees is critical to long-term growth of the Group. We implement our hiring and training programs, including the “Talented Leaders Scheme” (將才計劃), the “Talented Apprentice Scheme” (匠才生計劃) and the “Elite Lieutenants Program” (精兵營) to attract and retain our talents. In addition, we will also expand our “Falcon Brigade” (獵鷹別動隊) which was established for recruitment of special talents.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue**

Our revenue increased by 23.5% from RMB624.7 million for the year ended 31 December 2019 to RMB771.8 million for the same period in 2020.

### ***Property Management Services***

Revenue generated from our property management services increased by approximately 17.9% from RMB272.8 million for the year ended 31 December 2019 to RMB321.6 million for the same period in 2020. This increase was primarily attributable to (i) the increase in our GFA under management by approximately 39.4% from 13.7 million sq.m. as of 31 December 2019 to 19.1 million sq.m. as of 31 December 2020, resulting from the increase in number of property management projects from 94 as of 31 December 2019 to 131 as of 31 December 2020.

### ***Green Living Solutions***

Revenue generated from our green living solutions increased by approximately 25.2% from RMB154.6 million for the year ended 31 December 2019 to RMB193.5 million for the same period in 2020. This increase was primarily due to (i) the increase in revenue from energy operation services as a result of the increase in GFA under energy operation from 4.8 million sq.m. in 2019 to 6.7 million sq.m. in 2020, and (ii) the increase in revenue generated from our systems installation services as a result of the increase in number of relevant projects from 28 in 2019 to 46 in 2020.

### ***Value-Added Services***

Revenue generated from our value-added services increased by approximately 30.1% from RMB197.3 million for the year ended 31 December 2019 to RMB256.7 million for the same period in 2020. This increase was primarily due to (i) the increase in revenue from sales assistance services and preliminary planning and design consultancy services as a result of the increase in both our GFA under management and number of projects, and (ii) the increase in revenue from home living services that we actively developed in 2020.

### **Cost of Sales**

Our cost of sales increased by approximately 23.9% from RMB407.2 million for the year ended 31 December 2019 to RMB504.5 million for the same period in 2020. This increase was primarily in line with our business expansion.

## **Gross Profit and Gross Profit Margin**

As a result of the foregoing, our gross profit increased by approximately 22.9% from RMB217.5 million for the year ended 31 December 2019 to RMB267.3 million for the same period in 2020.

Our gross profit margin decreased from 34.8% for the year ended 31 December 2019 to 34.6% for the same period in 2020. This decrease was primarily attributable to the decrease in gross profit margin of our green living solutions and value-added services partially offset by the increase in gross profit margin of our property management services.

Gross profit margin of our property management services increased from 26.8% for the year ended 31 December 2019 to 27.0% for the same period in 2020, which was primarily due to (i) enhanced operational efficiency resulting from improvements in our project management and internal control procedures, and (ii) favorable government policies in respect of tax in 2020, leading to the decrease in our costs.

Gross profit margin of our green living solutions decreased from 34.3% for the year ended 31 December 2019 to 33.8% for the same period in 2020, which was primarily due to the construction of certain sizable projects with relatively low gross profits.

Gross profit margin of our value-added services decreased from 46.3% for the year ended 31 December 2019 to 44.9% for the same period in 2020, which was primarily due to the decrease in revenue generated from our communal areas leasing services and sales assistant services as a result of the outbreak of COVID-19.

## **Other Income**

Our other income decreased by approximately 20.3% from RMB33.5 million for the year ended 31 December 2019 to RMB26.7 million for the same period in 2020. This decrease was primarily attributable to the decrease in interest income and fair value gain of investment properties.

## **Selling Expenses**

Our selling expenses increased by approximately 18.5% from RMB8.1 million for the year ended 31 December 2019 to RMB9.6 million for the same period in 2020. This increase was primarily because we organized more marketing activities for business expansion.

## **Administrative Expenses**

Our administrative expenses increased by approximately 17.6% from RMB135.8 million for the year ended 31 December 2019 to RMB159.7 million for the same period in 2020, primarily attributable to (i) the increase in listing expenses, and (ii) the increase in legal and professional fee. Our administrative expenses, excluding listing expenses, as a percentage of revenue decreased from 21.6% in 2019 to 17.2% in 2020.

## **Income Tax**

Our income tax decreased by approximately 3.9% from RMB23.0 million for the year ended 31 December 2019 to RMB22.1 million for the same period in 2020. This decrease was primarily attributable to the effect of utilization of tax losses not recognized in previous year.

## **Profit for the Year**

As a result of the foregoing, our profit for the year increased by 21.5% from RMB83.9 million for the year ended 31 December 2019 to RMB101.9 million for the year ended 31 December 2020.

Profit for the year (excluding the effect of one-off listing expenses) increased by 41.5% from approximately RMB84.6 million for the year ended 31 December 2019 to approximately RMB119.7 million for the year ended 31 December 2020. Net profit margin (excluding the effect of one-off listing expenses) increased by 2 percentage points to approximately 15.5% for the year ended 31 December 2020.

Profit attributable to equity shareholders of the Company (excluding the effect of one-off listing expenses) increased by 44.4% from RMB78.0 million for the year ended 31 December 2019 to RMB112.6 million for the year ended 31 December 2020.

## **Trade and Other Receivables**

As of 31 December 2020, trade and other receivables amounted to RMB307.8 million, representing an increase of RMB123.8 million or 67.3% as compared with RMB184.0 million in 2019, primarily due to business expansion and increase of revenue.

## **Trade and Other Payables**

As of 31 December 2020, trade and other payables amounted to RMB254.0 million, representing an increase of RMB50.0 million or 24.5% as compared with RMB204.0 million in 2019, primarily due to the increase in our purchases attributable to our business expansion.

## **Capital Structure**

Our total assets increased from RMB720.2 million as of 31 December 2019 to RMB1,212.0 million as of 31 December 2020. Our total liabilities increased from RMB443.5 million as of 31 December 2019 to RMB537.7 million as of 31 December 2020. Liabilities-to-assets ratio decreased from 61.6% as of 31 December 2019 to 44.4% as of 31 December 2020.

The current ratio, being current assets divided by current liabilities as of the respective date, increased from 1.51 as of 31 December 2019 to 2.16 as of 31 December 2020.

## **Liquidity, Capital Resources and Gearing**

For the year ended 31 December 2020, we financed our operations primarily through internal resources, bank borrowings and the proceeds from the global offering of the Company's shares in connection with the Listing (the "**Global Offering**"). We mainly utilized our cash on payments on staff costs, purchases for services and materials and other working capital needs. Our cash and cash equivalents increased by 181.3% from RMB260.1 million as of 31 December 2019 to RMB731.7 million as of 31 December 2020, primarily attributable to proceeds from the Global Offering.

Our gearing ratio, being total interest-bearing borrowings divided by total equity, decreased from 0.04 as of 31 December 2019 to nil as of 31 December 2020, primarily because we repaid all bank loans.

## **Capital Expenditures**

Our capital expenditure decreased by 63.8% from RMB10.5 million for the year ended 31 December 2019 to RMB3.8 million for the same period in 2020. Our capital expenditure was used primarily for the purchase of office and other equipment and software. We financed our capital expenditure primarily through our cash flow generated from operating activities.

## **Indebtedness**

### ***Bank Loans***

As of 31 December 2020, all of our bank loans had been repaid (as of 31 December 2019, approximately RMB10 million were repayable within one year or on demand and were secured or guaranteed). As of 31 December 2020, the Group had no banking facility (as of 31 December 2019, bank facilities of the Group totaling RMB10.0 million were not utilized).

## **Contingent Liabilities**

As of 31 December 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

## **Final Dividend**

The Board has recommended the payment of a final dividend of HK3.97 cents per share for the year ended 31 December 2020, being HKD39.7 million in aggregate. Subject to the approval of shareholders of the Company (the “**Shareholders**”) at the annual general meeting to be held on 21 June 2021 (the “**AGM**”), the final dividend is expected to be paid on 12 July 2021 to the Shareholders whose names appear on the register of members of the Company on 29 June 2021.

## **Pledge of Assets**

As of 31 December 2020, the Group did not have any pledge on its assets.

## **Significant Events After the Reporting Period**

As disclosed in the announcement of the Company dated 10 March 2021, the Group has entered into an equity transfer agreement with, among others, Beijing Tonghe Property Management Co., Ltd., pursuant to which, the Group has agreed to acquire 80% equity interest in Dalian Yahang Property Management Co., Ltd., a company established under the laws of the PRC and is principally engaged in providing property management services at a total consideration of RMB93,200,160. As of 10 March 2021, Dalian Yahang Property Management Co., Ltd. managed approximately 150 property management projects with a total GFA under management of approximately 19.0 million sq.m. in Liaoning, Tianjin, Sichuan, Beijing, Shaanxi, Hunan, Hubei, etc.

Except as disclosed in this announcement, there are no material events subsequent to 31 December 2020 which could have a material impact on our operating and financial performance as of the date of this announcement.

## **Foreign Exchange Risk and Hedging**

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

## **Material Acquisitions and Future Plans for Major Investment**

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

## **Annual General Meeting**

The AGM of the Company will be held on 21 June 2021. 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 16 June 2021 to 21 June 2021 (both days inclusive). To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 15 June 2021.

For determining the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will also be closed from 25 June 2021 to 29 June 2021 (both days inclusive). To be eligible to receive the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 June 2021.

## **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 (the "**Listing Date**").

## **Employees**

As of 31 December 2020, the Group had a total of 2,355 employees, substantially 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 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 retirement, medical, work-related injury, maternity and unemployment benefits.

## **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 HKD571.2 million, which will be applied in compliance with the intended use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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

Intended use of proceeds	Percentage of amount of proceeds (%)	Amount of proceeds from the Global Offering (In HKD millions)	Amount of utilized proceeds as of 31 December 2020	Amount of unutilized proceeds balance as of 31 December 2020	Timeframe for the unutilized proceeds balance
<b>Strategic acquisitions or investments in property management companies</b>	<b>50.0</b>	<b>285.6</b>	–	285.6	By the end of 2023
<b>Invest in energy operation projects and obtain energy operation rights</b>	<b>20.0</b>	<b>114.2</b>	–	114.2	By the end of 2023
<b>Research and develop green technologies</b>	<b>5.0</b>	<b>28.6</b>	–	28.6	By the end of 2023
Upgrade AIRDINO No. 1 and No. 2	<b>1.0</b>	<b>5.7</b>	–	5.7	By the end of 2023
Upgrade AIRDINO No. 3	<b>2.0</b>	<b>11.4</b>	–	11.4	By the end of 2023
Research cross-seasonal energy storage capabilities in connection with ground-source heat pump systems	<b>0.75</b>	<b>4.3</b>	–	4.3	By the end of 2023
Research automated means of operating energy stations through IoT systems, big data and AI technologies	<b>1.25</b>	<b>7.1</b>	–	7.1	By the end of 2023
<b>Develop our intelligent community and enhance our information technology systems</b>	<b>10.0</b>	<b>57.1</b>	–	57.1	By the end of 2023
Upgrade our internal systems	<b>2.8</b>	<b>16.0</b>	–	16.0	By the end of 2023
Develop our intelligent community	<b>7.2</b>	<b>41.1</b>	–	41.1	By the end of 2023
<b>Attracting and nurturing talent</b>	<b>5.0</b>	<b>28.6</b>	–	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)	<b>4.175</b>	<b>23.8</b>	–	23.8	–
Supplement our existing training programs	<b>0.825</b>	<b>4.7</b>	–	4.7	–
<b>General business operations and working capital</b>	<b>10.0</b>	<b>57.1</b>	<b>0.3</b>	56.8	–
<b>Total</b>	<b>100.0</b>	<b>571.2</b>	<b>0.3</b>	570.9	By the end of 2023

Note:

1. The figures in the table are approximate figures.



## **SHARE OPTION SCHEME**

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

Subject to earlier termination by our Company in general meeting or by our Board, the share option scheme shall be valid and effective for a period of ten years commencing on 25 September 2020. As of 31 December 2020, no option had been granted or agreed to be granted, and thus no option 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 shares, representing 10% of the total number of shares in issue of the Company as of the Listing Date.

## **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**

### **Corporate Governance Code**

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

### **Model Code for Directors’ Securities Transactions**

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 Relevant Period.

### **Purchase, Sale or Redemption of Listed Securities**

Save for the Global Offering, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Relevant Period.

### **Audit Committee**

The Board has established an audit committee (the “**Audit Committee**”) comprising three independent non-executive Directors, namely Ms. Sun Jing (chairman), Ms. Zhu Caiqing and Mr. Cheng Peng. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting procedures, risk management and internal control. The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2020.

## **Scope of Work of KPMG**

The financial figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. 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 assurance has been expressed by the auditor.

## **Publication of Annual Results and Annual Report 2020**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.firstservice.hk](http://www.firstservice.hk)), and the annual report of the Company for the year ended 31 December 2020 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, 22 March 2021

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