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First Service Holding Limited

第一服务控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2107)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 amounted to approximately RMB508.8 million, representing an increase of approximately 53.8% as compared with the same period in 2020.
- Gross profit for the six months ended 30 June 2021 amounted to approximately RMB170.8 million, representing an increase of approximately 51.4% as compared with the same period in 2020.
- Profit for the six months ended 30 June 2021 amounted to approximately RMB71.8 million, representing an increase of approximately 109.9% as compared with the same period in 2020.
- Profit for the six months ended 30 June 2021 increased by approximately 61.4% as compared with the same period in 2020 (excluding the effect of one-off listing expenses recognised for the six months ended 30 June 2020). Net profit margin increased by 0.7 percentage points to approximately 14.1% as compared with 2020 (excluding the effect of one-off listing expenses recognised for the six months ended 30 June 2020).
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 amounted to approximately RMB65.2 million, representing an increase of approximately 52.6% as compared with the same period in 2020 (excluding the effect of one-off listing expenses recognised for the six months ended 30 June 2020). Earnings per share for the six months ended 30 June 2021 amounted to approximately RMB6.53 cents, representing an increase of approximately 50.8% as compared with the same period in 2020.
- As of 30 June 2021, our total gross floor area (“GFA”) under management amounted to approximately 53.2 million sq.m., representing an increase of approximately 245.3% as compared with that as of 30 June 2020, among which GFA under management sourced from third parties increased significantly by approximately 836.5% as compared with that as of 30 June 2020.
- As of 30 June 2021, our total contracted GFA amounted to approximately 73.0 million sq.m., representing an increase of approximately 147.7% as compared with that as of 30 June 2020, among which contracted GFA sourced from third parties increased significantly by approximately 357.2% as compared with that as of 30 June 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 unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2021, together with comparative figures for the six months ended 30 June 2020.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 — unaudited

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
			<i>As restated</i>
			<i>(Note 11(a))</i>
Revenue	3	508,764	330,872
Cost of sales		(337,922)	(218,027)
Gross profit		170,842	112,845
Other income	4	12,230	14,082
Selling expenses		(6,742)	(3,191)
Administrative expenses		(82,778)	(77,493)
Finance costs		(19)	(218)
Share of (loss)/profit of an associate		(314)	216
Share of profits of joint ventures		15	53
Profit before taxation	5	93,234	46,294
Income tax	6	(21,481)	(12,090)
Profit for the period		71,753	34,204

	Six months ended 30 June	
	2021	2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>As restated (Note 11(a))</i>
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Equity investment at fair value through other comprehensive income (“FVOCI”) — net movement in fair value reserves (non-recycling)	236	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation into presentation currency of the Group	<u>(4,692)</u>	<u>(124)</u>
Other comprehensive income for the period	<u>(4,456)</u>	<u>(124)</u>
Total comprehensive income for the period	<u>67,297</u>	<u>34,080</u>
Profit attributable to:		
Equity shareholders of the Company	65,236	32,488
Non-controlling interests	<u>6,517</u>	<u>1,716</u>
Profit for the period	<u>71,753</u>	<u>34,204</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	60,780	32,364
Non-controlling interests	<u>6,517</u>	<u>1,716</u>
Total comprehensive income for the period	<u>67,297</u>	<u>34,080</u>
Earnings per share	<i>7</i>	
Basic and diluted (RMB)	<u>0.0653</u>	<u>0.0433</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited

	At 30 June 2021	At 31 December 2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>As restated</i> <i>(Note 11(a))</i>
Non-current assets		
Investment properties	14,706	14,638
Property, plant and equipment	9,335	7,814
Intangible assets	41,963	7,017
Goodwill	186,514	–
Interest in joint ventures	759	744
Interest in an associate	1,568	1,882
Other financial assets	7,235	6,920
Deferred tax assets	14,344	12,574
	276,424	51,589
	276,424	51,589
Current assets		
Inventories	795	795
Financial assets measured at fair value through profit or loss (“ FVPL ”)	83,389	89,099
Contract assets	40,807	28,627
Trade and other receivables	8 432,229	307,155
Restricted cash	22,927	2,449
Cash and cash equivalents	548,468	734,040
	1,128,615	1,162,165
	1,128,615	1,162,165

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i> <i>As restated</i> <i>(Note 11(a))</i>
Current liabilities			
Trade and other payables	9	341,765	256,709
Contract liabilities		259,964	278,331
Current taxation		17,514	4,304
Bank loans		22,076	–
Contingent consideration — current portion		6,308	–
		<u>647,627</u>	<u>539,344</u>
Net current assets		<u>480,988</u>	<u>622,821</u>
Total assets less current liabilities		<u>757,412</u>	<u>674,410</u>
Non-current liabilities			
Deferred tax liabilities		10,050	995
Contingent consideration — long-term portion		32,080	–
		<u>42,130</u>	<u>995</u>
NET ASSETS		<u>715,282</u>	<u>673,415</u>
CAPITAL AND RESERVES			
Share capital	10(b)	1	1
Reserves		673,656	652,856
Total equity attributable to equity shareholders of the Company		<u>673,657</u>	<u>652,857</u>
Non-controlling interests		<u>41,625</u>	<u>20,558</u>
TOTAL EQUITY		<u>715,282</u>	<u>673,415</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

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

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

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 in this interim results announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

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

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

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

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

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

(b) Segment reporting

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

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

(i) Segment results, assets and liabilities

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, disaggregation of revenue from contracts with customers by major products and service lines, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

For the six months ended 30 June — As restated	First Property Management		First Living		Total	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Revenue recognised over time	452,182	298,577	54,059	34,037	506,241	332,614
Revenue recognised at point in time	—	—	8,307	2,582	8,307	2,582
Reportable segment revenue	452,182	298,577	62,366	36,619	514,548	335,196
Disaggregated by major products or service lines						
— Property management services	242,447	141,940	—	—	242,447	141,940
— Green living solutions	59,788	54,679	62,366	36,619	122,154	91,298
— Value-added services	149,947	101,958	—	—	149,947	101,958
Reportable segment revenue	452,182	298,577	62,366	36,619	514,548	335,196
Reportable segment profit	82,317	40,105	10,134	6,188	92,451	46,293
Interest income	1,245	4,983	17	32	1,262	5,015
Interest expense	—	—	19	218	19	218
Depreciation and amortisation for the period	2,655	1,504	221	328	2,876	1,832
Expected credit losses — trade and other receivables and contract assets	7,206	3,505	368	734	7,574	4,239
As at 30 June/31 December — As restated						
Reportable segment assets	1,007,839	760,113	171,900	124,289	1,179,739	884,402
Reportable segment liabilities	588,662	508,283	90,678	51,627	679,340	559,910

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		<i>As restated</i>
Revenue		
Reportable segment revenue	514,548	335,196
Elimination of inter-segment revenue	(5,784)	(4,324)
Consolidated revenue	508,764	330,872
Reportable segment profit		
Reportable segment profit	92,451	46,293
Unallocated head office and corporate profit before taxation	783	1
Consolidated profit before taxation	93,234	46,294
Assets		
Reportable segment assets	1,179,739	884,402
Unallocated head office and corporate assets	573,078	575,502
Elimination of inter-segment balances	(347,779)	(246,150)
Consolidated total assets	1,405,039	1,213,754

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i> <i>As restated</i>
Liabilities		
Reportable segment liabilities	679,340	559,910
Unallocated head office and corporate liabilities	32,901	–
Elimination of inter-segment balances	<u>(22,484)</u>	<u>(19,571)</u>
Consolidated total liabilities	<u><u>689,757</u></u>	<u><u>540,339</u></u>

4 OTHER INCOME

		Six months ended 30 June	
	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>As restated</i>
Interest income	<i>(i)</i>	2,544	5,015
Government grants	<i>(ii)</i>	8,323	6,540
Net realised gain on financial assets measured at FVPL		685	1,740
Fair value gain of investment properties		68	127
Net valuation gain on financial assets measured at FVPL		349	218
Net gains on disposal of property, plant and equipment		–	4
Loss on disposal of subsidiaries		–	(176)
Others		<u>261</u>	<u>614</u>
		<u><u>12,230</u></u>	<u><u>14,082</u></u>

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.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>As restated</i>
Amortisation cost of intangible assets	1,454	798
Depreciation charge		
— owned property, plant and equipment	1,422	1,034
Expected credit loss		
— trade and other receivables and contract assets	7,574	4,239
Cost of inventories	2,994	1,290
Listing expenses	—	13,667
Lease expenses		
— short-term leases	1,451	2,281

6 INCOME TAX

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>As restated</i>
Current tax — PRC Corporate Income Tax		
Provision for the year	23,044	11,970
Deferred tax		
Origination and reversal of temporary differences	(1,563)	120
	<u>21,481</u>	<u>12,090</u>

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company of RMB65,236,000 (six months ended 30 June 2020: RMB32,488,000) and the weighted average number of 999,675,000 ordinary shares (six months ended 30 June 2020: 750,000,000 ordinary shares) in issue during the interim period, calculated as follows:

	2021
	<i>No. of shares</i>
Issued ordinary shares at 1 January	1,000,000,000
Effect of shares held by the employee share trusts	<u>(325,000)</u>
Weighted average number of ordinary shares at 30 June	<u><u>999,675,000</u></u>

Weighted average of 750,000,000 ordinary shares during the six months ended 30 June 2020, includes 500,000,000 ordinary shares in issue as at the date of the prospectus and 250,000,000 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, deemed to have been issued throughout the six months ended 30 June 2020.

Diluted earnings per share is equal to the basic earnings per share as the Group had no dilutive potential shares for the six months ended 30 June 2021 and 2020.

8 TRADE AND OTHER RECEIVABLES

	At	At
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
		<i>As restated</i>
Trade receivables	281,403	182,477
Less: allowance for trade receivables	<u>(56,780)</u>	<u>(47,980)</u>
	224,623	134,497
Amounts due from related parties	147,814	124,011
Deposits and prepayments	21,103	19,415
Payments on behalf of property owners	9,019	4,223
Value added tax prepaid	7,685	9,526
Other receivables	22,609	16,107
Less: allowance for other receivables	<u>(624)</u>	<u>(624)</u>
	<u><u>432,229</u></u>	<u><u>307,155</u></u>

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

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000 <i>As restated</i>
Within 1 year	144,343	94,350
1 to 2 years	62,732	31,754
2 to 3 years	14,147	5,661
3 to 4 years	3,185	2,535
4 to 5 years	216	197
	224,623	134,497

9 TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000 <i>As restated</i>
Trade payables	103,107	77,589
Amounts due to related parties	16,283	15,165
Other taxes and charges payable	16,638	11,570
Dividends payable	32,901	–
Accrued payroll and other benefits	35,018	34,768
Deposits	50,783	44,826
Other payables and accruals	87,035	72,791
	341,765	256,709

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000 <i>As restated</i>
Within 1 year	99,150	74,974
1 to 2 years	3,095	2,164
2 to 3 years	478	209
Over 3 years	384	242
	103,107	77,589

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

During the six months ended 30 June 2021, a final dividend of HKD3.97 cent per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: nil) was declared to the equity shareholders of the Company. The aggregate amount of the final dividend declared during the six months ended 30 June 2021 amounted to HKD39,700,000 (equivalent to RMB33,190,000) (six months ended 30 June 2020: nil), which has been fully paid on 12 July 2021.

Dividend of RMB18,000,000 has been declared and paid by First MOMA Human Environment Technology (Beijing) Co., Ltd. to the then shareholders during the six months ended 30 June 2020.

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

(b) Share capital

	At 30 June 2021		At 31 December 2020	
	<i>No. of shares</i>	<i>RMB</i>	<i>No. of shares</i>	<i>RMB</i>
Ordinary shares, issued and fully paid:				
At 1 January	1,000,000,000	1,381	–	–
Issuance of shares	–	–	100	707
Shares sub-division	–	–	499,999,900	–
Capitalisation of shares	–	–	250,000,000	341
Issuance of ordinary shares upon initial public offering	–	–	250,000,000	333
	1,000,000,000	1,381	1,000,000,000	1,381

(c) **Employee share trusts**

On 10 May 2021, the Board resolved to adopt the Scheme, a long-term incentive program to eligible persons, in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

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

During the six months ended 30 June 2021, the Company had entrusted the trustee to purchase shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share <i>HKD</i>	Lowest price paid per share <i>HKD</i>	Aggregate price paid <i>RMB'000</i>
June 2021	6,000,000	1.08	1.02	5,179

The purchase was governed by section 257 of the Hong Kong Companies Ordinance.

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

11 BUSINESS COMBINATIONS

(a) **Business combination under common control**

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

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

The Group uses merger accounting to account for the business combination of entities and businesses under common control. The unaudited condensed consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The assets and liabilities of the combining entities or businesses are combined using the carrying book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill to the extent of the continuation of the controlling party's interest.

The unaudited condensed statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. Transaction costs incurred in relation to the common control combination is recognised as an expense in the period in which they were incurred.

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

The following is a reconciliation of the effect arising from the common control combination in connection with the acquisition of First Real Estate Brokerage Group.

	The Group	First Real Estate Brokerage Group	Elimination	The Group (as restated and unaudited)
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Results of operations for six months ended 30 June 2020:				
Profit/(loss) for the period	35,195	(991)	–	34,204
Net profit/(loss) attributable to:				
Equity shareholders of the Company	33,479	(991)	–	32,488
Non-controlling interests	1,716	–	–	1,716
Basic and diluted earnings/(loss) per share (expressed in RMB)	0.0446	(0.0013)	N/A	0.0433

	The Group <i>(as previously reported and audited)</i> RMB'000	First Real Estate Brokerage Group <i>(unaudited)</i> RMB'000	Elimination <i>(unaudited)</i> RMB'000	The Group <i>(as restated and unaudited)</i> RMB'000
Consolidated Statement of financial position as of 31 December 2020:				
Non-current assets	51,575	14	–	51,589
Current assets	1,160,406	3,765	(2,006)	1,162,165
Current liabilities	536,677	4,673	(2,006)	539,344
Non-current liabilities	995	–	–	995

(b) Business combination from third parties

In April 2021, the Group acquired 80% of the equity interest in Dalian Yahang Property Management Co., Ltd. (大連亞航物業管理有限公司) (“**Dalian Yahang**”) from a third party, and 100% of the equity interest in Qingdao Luohang Enterprises Management Co., Ltd (青島洛航企業管理有限公司) (“**Qingdao Luohang**”) from another third party, obtaining control of Dalian Yahang and Qingdao Luohang.

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Dalian Yahang RMB'000	Qingdao Luohang RMB'000	Total RMB'000
Property, plant and equipment	59	1,659	1,718
Intangible assets	19,500	16,900	36,400
Deferred tax assets	132	199	331
Trade and other receivables	12,197	48,017	60,214
Cash and cash equivalents	3,018	1,389	4,407
Trade and other payables	(8,062)	(17,191)	(25,253)
Contract liabilities	(6,882)	(841)	(7,723)
Current taxation	–	(5,158)	(5,158)
Deferred tax liabilities	(4,875)	(4,225)	(9,100)
Total net identifiable assets acquired	15,087	40,749	55,836
Non-controlling interest	(3,017)	(12,225)	(15,242)
Fair value of net identified assets acquired, net of non-controlling interests	12,070	28,524	40,594
Goodwill	80,068	106,446	186,514
Total consideration	92,138	134,970	227,108
Cash consideration	75,600	113,120	188,720
Contingent consideration	16,538	21,850	38,388
Total consideration	92,138	134,970	227,108

12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Adoption of share award scheme by controlling shareholder

On 29 July 2021, the Company was informed that Cedar Group Management Limited (“**Cedar**”), one of the controlling shareholders of the Company, adopted a share award scheme to 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 and no new shares will be issued by the Company as a result of the grant of award shares under the scheme. As of the date of this report, no share has been granted and vested.

(b) Acquisition of a 20-year energy operation right

On 18 June 2021, a subsidiary of the Group entered into a sale and purchase agreement to acquire a 20-year energy operation right to provide central heating and energy operation services to property owners at a consideration of RMB12.5 million. The acquisition of the energy operation right has completed on 16 July 2021.

CHAIRMAN’S STATEMENT

Dear stakeholders,

On behalf of the Board, I am pleased to present the business review of the Group for the six months ended 30 June 2021 and the Group’s prospects.

Overview

The year 2021 is the first year of the country’s 14th Five-Year Plan. Looking back at the first half of the year, the national development plan and related policies pointed out the future development direction of the property management industry, creating unprecedented favorable conditions for the rapid growth and standardized development of the industry. As a leading property management service provider in China that promotes comfortable living through technological innovation and green living solutions that cover the full property life-cycle, we have developed a strong momentum since the listing (the “**Listing**”) of our shares (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In the first half of 2021, we have successively acquired Dalian Yahang Property Management Co., Ltd. (“**Dalian Yahang**”) and Qingdao Luohang Enterprises Management Co., Ltd (“**Qingdao Luohang**”), indicating the diverse business development trend of the Group. With outstanding performance in three aspects, namely our scale, strength and service quality, we ranked 23rd in the “2021 Top 100 Property Management Companies in China.”

Maintain Strong Momentum in our Business Development

As of 30 June 2021, our total GFA under management amounted to approximately 53.2 million sq.m., and our total contracted GFA amounted to approximately 73.0 million sq.m. As of 30 June 2021, we had contracted to provide property management services in 103 cities across 25 provinces and municipalities in China. The rapid expansion of our GFA under management is attributable to our active market expansion as well as our successful acquisition of two property management companies, namely Dalian Yahang and Qingdao Luohang, in the first half of 2021.

Optimization of our Core Business Lines

We continued to expand the scale of our existing core business lines so as to create ongoing revenue streams. In the first half of 2021, we were involved in 60 green technology consulting projects and had operated 28 energy operation projects. We have also achieved breakthroughs in our energy station construction projects which contributed to the steady growth of our green living solution business. We consistently enhanced our quality management and service innovation to provide a comfortable living experience for our customers. We kept abreast with the market development and provided new types of value-added services that focus on the daily needs of our customers such as home decoration services and community commerce services.

Upgrade and Improvement of our Research and Development Capabilities

In terms of research and development of green living solutions, we have achieved the following progress: (i) upgrading our AIRDINO systems for passive houses, which has greatly reduced equipment noise and improved purification and dust removal efficiency; (ii) developing modular radiant ceiling systems that are well-integrated with modular interior decoration products, which greatly shorten the construction period, reduce construction costs, and effectively reduce carbon emissions during the decoration process; (iii) developing a new model of “flexible” four stabilizing system, leveraging AIOT (the integration of AI and IoT technologies), smart home and our self-developed AIRDINO systems to further reduce energy consumptions, carbon emissions and operating costs, as well as adapt to the diverse needs of customers more flexibly; (iv) completing the research and development of smart home control panel to realise the integration of smart home panel, air-conditioning control panel and intercom access control panel, to achieve the interconnection of the community property service system and the smart home control system.

We have also established a preliminary technical design for the cross-seasonal energy storage technologies used in ground-source heat pump system, and completed the computational simulation and AI algorithm modeling for the unattended system in the energy machine room. Through continuous technological improvements, we will save energy, reduce operating costs, and increase the profitability of energy operation projects. Our research and development capabilities have laid a solid foundation for our future development in the green living solution market.

Significant Increase in our Profitability

Leveraging on our in-depth industry know-how, we provided high quality services to our customers. Our efforts have been evidenced in our financial results. For the six months ended 30 June 2021, we recorded a profit of approximately RMB71.8 million, representing an increase of approximately 109.9% as compared with the same period in 2020, and a net profit margin of 14.1%, representing an increase of approximately 0.7 percentage points as compared with the same period in 2020. Our profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 amounted to approximately RMB65.2 million, representing an increase of approximately 100.6% as compared with the same period in 2020.

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 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, focusing our expansion efforts on the Beijing-Tianjin-Hebei Region, Bohai Rim Region, Yangtze River Delta, Pearl River Delta and Northwestern China. In the future, we will pay close attention to industry segmentation and the development of upstream and downstream industries of the property industry, and endeavour to improve our service quality and create strategic synergies with our upstream and downstream industries, and focus on acquiring regional leading enterprises and urban service businesses.
- ***Invest in energy operation projects and obtain energy operation rights.*** In the first half of 2021, we were engaged in several new energy operation projects. These projects covered areas, including, among others, Beijing and Shangqiu in Henan Province, involving centralized clean heating projects in regions and distributed air-source heat pump projects in residential communities. We will continue to obtain operational rights for energy operation projects through strategies such as investing in new projects, acquiring and upgrading existing projects, and etc. In addition, combining industry development trends with policy guidance against the dual-carbon backdrop, the government actively promotes ground-source heat pumps, air-source heat pumps, photovoltaics, clean energy and other forms of technologies, at the same time, conducts quota energy management for public building facilities across the country. These policies will provide the Group with broader market opportunities. In the future, we will focus on emission reduction, low-carbon, zero-carbon clean energy stations and regional energy businesses surrounding commercial offices, office buildings, schools, hospitals, industrial parks, residential housing and other areas with a target to break through the first- and second-tier cities. At the same time, by relying on the existing projects of our parent company as the regional center to radiate surrounding projects, we will complete the national distributed layout and seize high-quality project resources.

- ***Develop intelligent community and enhance our information technology systems.*** Through the linkage of software and hardware upgrades, we empower management and customers to improve management efficiency and user experience, thereby reduce management cost and improve operational performance. In particular, we will develop and continue to upgrade a multi-functional and user-friendly online platform to enhance the living experiences of property owners and residents. We have initially completed the followings: (i) built IoT platforms to open up the core management and service scenarios of the green digital community; (ii) completed the automated car park management systems, access control management systems, equipment and facilities monitoring and alert systems, and energy data collection control systems for some communities; (iii) completed the property operation management platform (green housekeeper app) covering all communities, allowing employees, property owners, and businesses to connect seamlessly and realize an end-to-end service mechanism with online and offline linkage. In the future, we will continue to deepen and consolidate the concept of green digital property management, create omni-directional service scenarios, and provide property owners with a more comfortable, greener, and more technological one-stop green intelligent community.
- ***Continue to research and develop green technologies for commercialization.*** The introduction of the national dual-carbon strategy gives rise to important development opportunities for green technologies. We will keep an eye on this national strategy and continue to research and develop technology systems which help to create comfortable and green residential communities, as well as healthy technological housing products that can achieve high comfort and low energy consumption. We will continue to refine our AIRDINO systems, improve their performances continuously to meet the needs of customers. We will enhance energy saving efficiency by studying green technologies, including, among others, the cross-seasonal energy storage capabilities in connection with ground-source heat pump systems and the unattended technologies in the energy machine room. Through exploring the use of IoT, big data and artificial intelligence technologies, the efficient operation of energy stations can be realized. Meanwhile, we will build and develop intelligent systems, such as developing intelligent home platform, improving the control systems of our AIRDINO products and upgrading energy automatic control systems.

- ***Continue to attract and nurture talent.*** 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 the "Talented Apprentice" (匠才生) recruitment and training scheme to recruit fresh graduates with bachelor's degree and above, so as to provide enterprises with long-term core talent pools; implemented the "Talented Leaders Scheme" (將才計劃) to hunt and bring in mature business and management talents from external source; implemented the "Elite Lieutenants Program" (精兵營) to guarantee the provision of systematic training for the promotion of internal staff; implemented the "Elite Program" (精銳營) to lay a solid foundation for the management and operation of the management team and core team; and continue to nurture and develop talents who are willing to contribute to green property management, so as to maintain a rapid and healthy development for our Company.

Looking forward, we will continue to focus on promoting comfortable living through technological innovations and strive to provide our customers with digitally connected, green and healthy living experiences in the communities we serve in China. We will seize the opportunities, build and solidify our competitiveness and move forward in accordance with our established strategies to achieve rapid development with confidence and determination.

Zhang Peng

Chairman

24 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

We generate revenue primarily through our three business lines, namely (i) property management services, (ii) green living solutions, and (iii) value-added services. Our revenue increased by approximately 53.8% from RMB330.9 million for the six months ended 30 June 2020 to RMB508.8 million for the same period in 2021.

Property Management Services

Our property management services consist of cleaning, security, gardening and repair and maintenance services provided to property developers, property owners and residents. Revenue generated from our property management services increased by approximately 74.2% from RMB139.2 million for the six months ended 30 June 2020 to RMB242.4 million for the same period in 2021. This increase was primarily attributable to the increase in our GFA under management by approximately 245.3% from 15.4 million sq.m. as of 30 June 2020 to 53.2 million sq.m. as of 30 June 2021, mainly resulting from the significant increase in the number of property management projects sourced from third parties from 30 projects as of 30 June 2020 to 369 projects as of 30 June 2021 due to our acquisitions of Dalian Yahang and Qingdao Luohang.

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

	As of or for the six months ended 30 June											
	2021						2020					
	No. of contracted projects	Contracted GFA '000 sq.m.	%	No. of projects under management	GFA under management '000 sq.m.	%	No. of contracted projects	Contracted GFA '000 sq.m.	%	No. of projects under management	GFA under management '000 sq.m.	%
Residential properties	242	40,791	55.9	147	21,451	40.3	174	28,659	97.2	90	14,897	96.7
Public properties	131	12,853	17.6	131	12,853	24.2	4	278	0.9	3	144	0.9
Commercial and other properties	182	19,350	26.5	179	18,898	35.5	11	536	1.9	8	367	2.4
Total	<u>555</u>	<u>72,994</u>	<u>100.0</u>	<u>457</u>	<u>53,202</u>	<u>100.0</u>	<u>189</u>	<u>29,473</u>	<u>100.0</u>	<u>101</u>	<u>15,408</u>	<u>100.0</u>

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

	As of or for the six months ended 30 June					
	2021			2020		
	No. of projects under management	GFA under management		No. of projects under management	GFA under management	
	'000 sq.m.	%	'000 sq.m.	%		%
Modern Land Group	80	11,406	21.4	64	9,856	64.0
Other associates of our controlling shareholders ⁽¹⁾	8	1,309	2.5	7	1,230	8.0
Third parties	369	40,487	76.1	30	4,322	28.0
Total	457	53,202	100.0	101	15,408	100.0

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 parties at high speed. The table below sets forth a breakdown of our number of 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 six months ended 30 June									
	No. of contracted projects	2021				2020				
		Contracted GFA		Undelivered GFA		Contracted GFA		Undelivered GFA		
	'000 sq.m.	%	'000 sq.m.	%	'000 sq.m.	%	'000 sq.m.	%		
Modern Land Group	114	18,756	25.7	7,350	37.1	101	15,555	52.8	5,699	40.5
Other associates of our controlling shareholders	21	3,924	5.4	2,615	13.2	19	2,913	9.9	1,683	12.0
Third parties	420	50,314	68.9	9,827	49.7	70	11,005	37.3	6,682	47.5
Total	555	72,994	100.0	19,792	100.0	189	29,473	100.0	14,064	100.0

Green Living Solutions

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

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

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Energy operation services	65,425	56.2	56,045	64.4
Systems installation services	34,708	29.8	16,800	19.3
Green technology consulting services	7,942	6.8	11,535	13.3
Sales of AIRDINO systems	8,295	7.2	2,582	3.0
Total	<u>116,370</u>	<u>100.0</u>	<u>86,962</u>	<u>100.0</u>

Revenue generated from our green living solutions increased by approximately 33.8% from RMB87.0 million for the six months ended 30 June 2020 to RMB116.4 million for the same period in 2021. This increase was primarily due to (i) the growth of our system installation service business because our high-quality products had won the general customer recognition, (ii) the good reputation of the service quality of our green living solutions as well as the growing GFA under management and (iii) the increase in the number of energy operation projects under management.

Value-Added Services

We primarily provided five types of value-added services to non-property owners, property owners and residents, namely (i) sales assistance services, (ii) 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:

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Value-added services to non-property owners				
Sales assistance services	73,131	48.8	52,674	50.3
Preliminary planning and design consultancy services	6,746	4.5	3,020	2.9
Subtotal	79,877	53.3	55,694	53.2
Community value-added services				
Parking space management services	34,624	23.1	20,242	19.3
Home living services	28,278	18.9	24,839	23.7
Communal area leasing services	7,168	4.7	3,984	3.8
Subtotal	70,070	46.7	49,065	46.8
Total	149,947	100.0	104,759	100.0

Revenue generated from our value-added services increased by approximately 43.0% from RMB104.8 million for the six months ended 30 June 2020 to RMB149.9 million for the same period in 2021. This increase was primarily due to (i) an increase in revenue from sales assistance services of RMB20.5 million because the number of our sales assistance service centers increased as the COVID-19 pandemic subsided, and (ii) an increase in revenue from parking space management services of RMB14.4 million attributable to the growth of both the number of projects under management and GFA under management as well as the increase in parking space usage as the COVID-19 pandemic being under control and residents traveled more in the first half of 2021.

Cost of Sales

Our cost of sales increased by approximately 55.0% from RMB218.0 million for the six months ended 30 June 2020 to RMB337.9 million for the same period in 2021, in line with our business expansion.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 51.4% from RMB112.8 million for the six months ended 30 June 2020 to RMB170.8 million for the same period in 2021.

Our gross profit margin decreased from 34.1% for the six months ended 30 June 2020 to 33.6% for the same period in 2021. This decrease was primarily attributable to the expansion of our property management service business which has a relatively low gross profit margin compared with our other business lines.

Our gross profit margin of our property management services remained relatively stable at 26.6% for the six months ended 30 June 2020 and 26.1% for the same period in 2021.

Our gross profit margin of our green living solutions increased from 31.8% for the six months ended 30 June 2020 to 32.6% for the same period in 2021, which was primarily due to the increase in revenue contribution from our intelligent installation service which has a higher profit margin compared with our other business lines as a percentage of total revenue.

Our gross profit margin of our value-added services remained relatively stable at 46.0% for the six months ended 30 June 2020 and 46.4% for the same period in 2021.

Other Income

Our other income decreased by approximately 13.5% from RMB14.1 million for the six months ended 30 June 2020 to RMB12.2 million for the same period in 2021. This decrease was primarily attributable to (i) a decrease in interest income due to reduced cash balance resulting from the repayment of a short-term loan to a third party and acquisitions of Dalian Yahang and Qingdao Luohang, and (ii) a decrease in net realised gain on financial assets measured at fair value through profit or loss, partially offset by (iii) an increase in government grants.

Selling Expenses

Our selling expenses increased by approximately 109.4% from RMB3.2 million for the six months ended 30 June 2020 to RMB6.7 million for the same period in 2021, in line with our business expansion.

Administrative Expenses

Our administrative expenses increased slightly by approximately 6.8% from RMB77.5 million for the six months ended 30 June 2020 to RMB82.8 million for the same period in 2021. Our administrative expenses for the six months ended 30 June 2020 included listing expenses of RMB13.7 million, while we incurred no listing expense for the corresponding period in 2021. Our administrative expenses increased by 29.7% for the six months ended 30 June 2021 as compared with the same period in 2020 (excluding the effect of one-off listing expenses recognised for the six months ended 30 June 2020), primarily due to (i) our business expansion, (ii) an increase in staff costs following our acquisitions of Dalian Yahang and Qingdao Luohang and (iii) an increase in expected credit losses. Our administrative expenses, excluding listing expenses, as a percentage of revenue decreased from 19.3% for the six months ended 30 June 2020 to 16.3% for the six months ended 30 June 2021, primarily due to (i) human resource sharing for the management of properties located in different regions, (ii) the optimization of our business process and (iii) our stricter cost management measures.

Income Tax

Our income tax increased by approximately 77.7% from RMB12.1 million for the six months ended 30 June 2020 to RMB21.5 million for the same period in 2021. This increase was primarily attributable to the combined effect of the increase in profit for the period and deferred income tax liabilities.

Profit for the Period

As a result of the foregoing, our profit for the period increased by approximately 109.9% from RMB34.2 million for the six months ended 30 June 2020 to RMB71.8 million for the six months ended 30 June 2021.

Trade and Other Receivables

As of 30 June 2021, trade and other receivables amounted to RMB432.2 million, representing an increase of approximately 40.7% as compared with RMB307.2 million as of 31 December 2020. The increase was primarily due to our business expansion and increase in revenue.

Trade and Other Payables

As of 30 June 2021, trade and other payables amounted to RMB256.7 million, representing an increase of approximately 33.2% as compared with RMB341.8 million as of 31 December 2020. The increase was primarily due to (i) our business expansion and (ii) the improvement of our supply chain management in respect of supplier selection and approval of payments in pursuit of more flexible credit terms.

Goodwill

As of 30 June 2021, goodwill amounted to RMB186.5 million, primarily due to our expected future development and market share following our acquisitions of equity interests in Dalian Yahang and Qingdao Luohang and our business expansion.

Contingent Consideration

As of 30 June 2021, the Group had contingent consideration totaling RMB38.4 million which may arise from the performance undertaking provisions of acquisitions of Dalian Yahang and Qingdao Luohang. For details, please refer to the announcements of the Company dated 10 March 2021 and 30 March 2021.

Capital Structure

Our total assets increased from RMB1,213.8 million as of 31 December 2020 to RMB1,405.0 million as of 30 June 2021. Our total liabilities increased from RMB540.3 million as of 31 December 2020 to RMB689.8 million as of 30 June 2021. Liabilities-to-assets ratio increased from 44.5% as of 31 December 2020 to 49.1% as of 30 June 2021.

The current ratio, being current assets divided by current liabilities as of the respective date, decreased from 2.16 as of 31 December 2020 to 1.74 as of 30 June 2021.

Liquidity, Capital Resources and Gearing

For the six months ended 30 June 2021, we financed our operations primarily through internal resources, bank borrowings and the proceeds from the global offering of the Company's shares in connection with the Listing (the "**Global Offering**"). We mainly utilized our cash on payments on staff costs, purchases for services and materials and other working capital needs. Our cash and cash equivalents decreased by approximately 25.3% from RMB734.0 million as of 31 December 2020 to RMB548.5 million as of 30 June 2021, primarily attributable to cash used in acquisitions of Dalian Yahang and Qingdao Luohang.

Our gearing ratio, being total interest-bearing borrowings divided by total equity, increased from nil as of 31 December 2020 to 0.03 as of 30 June 2021, primarily due to the newly-obtained short-term borrowings in the first half of 2021.

Capital Expenditure

Our capital expenditure decreased by approximately 15.8% from RMB1.9 million for the six months ended 30 June 2020 to RMB1.6 million for the same period in 2021. Our capital expenditure was used primarily for 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 30 June 2021, all of our bank loans of RMB22.1 million (as of 31 December 2020: nil) were repayable within one year or on demand, among which bank loans of RMB20.0 million were guaranteed. For details of the guaranteed loan, please refer to the announcement of the Company dated 30 June 2021.

As of 30 June 2021, our banking facilities totaling RMB22.1 million (as of 31 December 2020: nil) were utilized to the extent of RMB2.1 million (as of 31 December 2020: nil).

Contingent Liabilities

The Group did not have any contingent liability as of 30 June 2021.

Interim Dividend

The final dividend for the year ended 31 December 2020 of HK3.97 cents per share, totalling HKD39.7 million, has been approved at the annual general meeting of the Company held on 21 June 2021 (the “AGM”) and was paid in cash on 12 July 2021.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

Pledge of Assets

As of 30 June 2021, the Group did not have any pledge of its assets.

Significant Events After the Reporting Period

The Board intends to exercise its powers under the general mandate to repurchase (the “**Repurchase Mandate**”) Shares granted by the Shareholders at the AGM to repurchase Shares in the open market at appropriate timing. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 100,000,000 Shares, representing 10% of the total number of issued Shares as at the date of the AGM, on the Stock Exchange (the “**Proposed Share Repurchase**”). The Company intends to finance the Proposed Share Repurchase by its own financial resources other than proceeds from the Listing and will repurchase Shares at appropriate timing following the expiration of the black-out period for the publication of the interim results of the Company for the six months ended 30 June 2021 in compliance with the articles of association of the Company and all applicable laws and regulation. For details, please refer to the announcement of the Company dated 24 August 2021.

Except as disclosed in this announcement and note 12 to the financial statements, there are no material events subsequent to 30 June 2021 which could have a material impact on our operating and financial performance as of the date of this announcement.

Foreign Exchange Risk and Hedging

We mainly operate in the mainland China with most of the transaction denominated and settled in Renminbi. We have not hedged its foreign currency exchange risks, but will closely monitor the exposure and will take measures when necessary to make sure the foreign exchange risks are manageable.

Material Acquisitions and Future Plans for Major Investment

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

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

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021. The Group will continue to identify new opportunities for business development.

Company Information

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

Employees

As of 30 June 2021, we had a total of 3,502 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.

No Material Change

Since the publication of our audited financial statements for the year ended 31 December 2020 on 22 March 2021, there have been no material change to our business.

Use of Proceeds

The Company was listed on the Stock Exchange on 22 October 2020. The net proceeds from the Global Offering amounted to approximately HKD543.7 million. The following table sets forth the status of the use of net proceeds from the Global Offering⁽¹⁾:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the Global Offering	Amount of used proceeds as of 30 June 2021 <i>(In HKD millions)</i>	Amount of unused proceeds as of 30 June 2021	Timeframe for the unused balance
Strategic acquisitions or investments in property management companies	50.0	285.6	198.0	89.6	By the end of 2023
Invest in energy operation projects and obtain energy operation rights	20.0	114.2	–	114.2	By the end of 2023
Research and develop green technologies	5.0	28.5	–	28.5	By the end of 2023
Upgrade AIRDINO No. 1 and No. 2	1.0	5.7	–	5.7	By the end of 2023
Upgrade AIRDINO No. 3	2.0	11.4	–	11.4	By the end of 2023
Research cross-seasonal energy storage capabilities in connection with ground-source heat pump systems	0.75	4.3	–	4.3	By the end of 2023
Research automated means of operating energy stations through IoT systems, big data and AI technologies	1.25	7.1	–	7.1	By the end of 2023
Develop our intelligent community and enhance our Information technology systems	10.0	57.1	–	57.1	By the end of 2023
Upgraded our internal systems	2.8	16.0	–	16.0	By the end of 2023
Develop our intelligent community	7.2	41.1	–	41.1	By the end of 2023
Attracting and nurturing talent	5.0	28.5	–	28.5	–
Expand hiring and recruitment initiatives under our “Talented Leaders Scheme” (將才計劃) and “Talented Apprentice Scheme” (匠才生計劃)	4.175	23.8	–	23.8	–
Supplement our existing training programs	0.825	4.7	–	4.7	–
General business operations and working capital	10.0	57.1	1.4	55.7	–
Total	100.0	571.0	199.4	371.6	By the end of 2023

Notes:

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

Effects of the Outbreak of COVID-19

Since the outbreak of COVID-19 in 2020, our management not only closely monitored the effects on operational and financial performance of our Group as a result of COVID-19, but also has proactively implemented various measures in our property management projects 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. We adhered to the various regulatory and administrative measures adopted by local governments in order to prevent and control the pandemic. For the six months ended 30 June 2021, 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. As at the date of this announcement, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was conditionally approved and adopted by the shareholders of the Company (the “**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 the 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 promoting the long-term growth of our Company. The Share Option Scheme will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company’s corporate culture.

Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 25 September 2020. As of 30 June 2021, no option had been granted or agreed to be granted, and thus no options had been exercised, cancelled or lapsed under the Share Option Scheme. As a result, the total number of shares available for grant under the Share Option Scheme was 100,000,000, representing 10% of the total shares in issue of the Company as of 22 October 2020, the date on which the Company's shares was listed on the Stock Exchange.

SHARE AWARD SCHEME

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

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

As at the date of this announcement, there were 6,000,000 shares held in trust by the trustee under the Share Award Scheme among which no share has been awarded by the Board to any Eligible Participant of the Share Award Scheme. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 May 2021.

ROUNDING

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted 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 six months ended 30 June 2021. The Company will continue to review and monitor its corporate governance practice to ensure compliance of the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. After making specific enquiry to all Directors, the Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Audit Committee and Review of Financial Statements

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

The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group, reviewed the interim results for the six months ended 30 June 2021 and considered that the interim results have been prepared in accordance with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements and have made appropriate disclosures accordingly.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.firstservice.hk), and the interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 24 August 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.