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 2022

HIGHLIGHTS

- Revenue for the year ended 31 December 2022 amounted to approximately RMB1,122.3 million, representing an increase of approximately 0.2% as compared to that of approximately RMB1,119.9 million for the year ended 31 December 2021. Revenue generated from the Group's core business, property management services, grew steadily to approximately RMB766.8 million, representing an increase of approximately 25.5% as compared to that of approximately RMB611.1 million for the year ended 31 December 2021.

- Profit for the year ended 31 December 2022 amounted to approximately RMB50.5 million, representing an increase of approximately 50.4% as compared to that of approximately RMB33.6 million for the year ended 31 December 2021. Profit for the year after excluding the effect of expected credit loss on trade receivables and contract assets amounted to approximately RMB91.5 million for the year ended 31 December 2022.

- As of 31 December 2022, the total gross floor area ("**GFA**") under management of the Group amounted to approximately 51.4 million sq.m., among which 69.1% were sourced from third parties. As of 31 December 2022, the contracted GFA of the Group amounted to approximately 71.0 million sq.m., among which 62.5% were sourced from third parties.

- The Board has recommended the payment of a final dividend of HK3.00 cents per share for the year ended 31 December 2022, being HK$30.0 million in aggregate, which accounted for approximately 53.0% of the Group's profit for the year ended 31 December 2022.

The board (the "**Board**") of directors (the "**Directors**") of First Service Holding Limited (第一服务控股有限公司) (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2022, together with comparative figures for 2021.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
*(Expressed in Renminbi("**RMB**"))*

	Note	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*3*	**1,122,272**	1,119,869
Cost of sales		**(861,384)**	(784,506)
Gross profit		**260,888**	335,363
Other net income	*4*	**28,379**	22,791
Selling expenses		**(11,026)**	(18,220)
Administrative expenses		**(173,008)**	(186,522)
Expected credit loss on trade receivables and contract assets		**(40,943)**	(113,135)
Finance costs		**(991)**	(459)
Share of loss of associates		**(393)**	(531)
Share of (loss)/profit of joint ventures		**(10)**	5
Profit before taxation	*5*	**62,896**	39,292
Income tax	*6*	**(12,352)**	(5,683)
Profit for the year		**50,544**	33,609

	Note	2022	2021
		RMB'000	*RMB'000*
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income ("**FVOCI**") — net movement in fair value reserves (non-recycling)		**(996)**	(1,070)
Item that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**14,976**	(7,707)
Other comprehensive income for the year		**13,980**	(8,777)
Total comprehensive income for the year		**64,524**	24,832
Profit for the year attributable to:			
Equity shareholders of the Company		**41,338**	35,466
Non-controlling interests		**9,206**	(1,857)
Profit for the year		**50,544**	33,609
Total comprehensive income attributable to:			
Equity shareholders of the Company		**55,318**	26,689
Non-controlling interests		**9,206**	(1,857)
Total comprehensive income for the year		**64,524**	24,832
Earnings per share	*7*		
Basic and diluted *(RMB)*		**0.0418**	0.0356

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Investment properties		**15,557**	14,868
Property, plant and equipment		**14,954**	11,615
Intangible assets		**39,661**	40,506
Goodwill		**181,696**	181,696
Interest in joint ventures		**37**	47
Interest in an associate		**4,607**	–
Other financial assets		**4,165**	5,493
Deferred tax assets		**38,807**	34,198
		299,484	288,423
Current assets			
Inventories		**813**	813
Contract assets		**21,054**	28,338
Trade and other receivables	*8*	**518,496**	425,017
Financial assets measured at fair value through profit or loss ("**FVPL**")		**107,620**	97,587
Restricted cash		**24,277**	21,870
Cash and cash equivalents		**396,074**	495,826
Other current assets		**1,491**	–
		1,069,825	1,069,451

	Note	2022 RMB'000	2021 RMB'000
Current liabilities			
Trade and other payables	9	**368,317**	323,665
Contract liabilities		**279,646**	274,862
Bank loans		**–**	20,508
Current taxation		**7,046**	16,963
Contingent consideration — current portion		**11,679**	5,812
		666,688	641,810
Net current assets		**403,137**	427,641
Total assets less current liabilities		**702,621**	716,064
Non-current liabilities			
Deferred tax liabilities		**7,559**	8,842
Contingent consideration — non-current portion		**20,655**	33,702
		28,214	42,544
NET ASSETS		**674,407**	673,520
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**629,279**	637,477
Total equity attributable to equity shareholders of the Company		**629,280**	637,478
Non-controlling interests		**45,127**	36,042
TOTAL EQUITY		**674,407**	673,520

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries and the Group's interest in an associate and joint ventures.

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

— investment property

— financial instruments classified as financial assets measured at FVPL or FVOCI

— contingent consideration

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

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

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

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 IAS 16, Property, plant and equipment: Proceeds before intended use*

- *Amendment to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented on the consolidated financial statement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, disaggregation of revenue from contracts with customers by major products and service lines, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	First Property Management		**First Living**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Revenue recognised over time	**1,061,170**	1,027,806	**69,963**	87,870	**1,131,133**	1,115,676
Revenue recognised at point in time	**165**	–	**6,073**	16,678	**6,238**	16,678
Reportable segment revenue	**1,061,335**	1,027,806	**76,036**	104,548	**1,137,371**	1,132,354
Disaggregated by major products or service lines						
— Property management services	**766,903**	611,076	**–**	–	**766,903**	611,076
— Green living solutions	**102,464**	103,852	**76,036**	104,548	**178,500**	208,400
— Value-added services	**191,968**	312,878	**–**	–	**191,968**	312,878
Reportable segment revenue	**1,061,335**	1,027,806	**76,036**	104,548	**1,137,371**	1,132,354
Reportable segment profit/(loss)	**70,380**	93,678	**(3,088)**	(52,305)	**67,292**	41,373
Interest income	**3,504**	2,748	**75**	40	**3,579**	2,788
Interest expense	**446**	–	**545**	459	**991**	459
Depreciation and amortisation for the year	**8,184**	6,981	**336**	707	**8,520**	7,688
Impairment of intangible assets	**–**	–	**–**	11,498	**–**	11,498
Expected credit losses — trade receivables and contract assets	**37,993**	70,587	**2,950**	42,548	**40,943**	113,135
Reportable segment assets	**1,109,977**	1,019,311	**129,972**	122,423	**1,239,949**	1,141,734
Reportable segment liabilities	**656,892**	622,717	**103,082**	92,884	**759,974**	715,601

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

	2022 *RMB'000*	2021 *RMB'000*
Revenue		
Reportable segment revenue	**1,137,371**	1,132,354
Elimination of inter-segment revenue	**(15,099)**	(12,485)
Consolidated revenue	**1,122,272**	1,119,869

	2022 *RMB'000*	2021 *RMB'000*
Reportable segment profit		
Reportable segment profit	**67,292**	41,373
Unallocated head office and corporate expenses before taxation	**(4,287)**	(2,081)
Elimination of inter-segment profit	**(109)**	–
Consolidated profit before taxation	**62,896**	39,292

	2022 *RMB'000*	2021 *RMB'000*
Assets		
Reportable segment assets	**1,239,949**	1,141,734
Unallocated head office and corporate assets	**485,383**	523,480
Elimination of inter-segment balances	**(356,023)**	(307,340)
Consolidated total assets	**1,369,309**	1,357,874

	2022 *RMB'000*	2021 *RMB'000*
Liabilities		
Reportable segment liabilities	**759,974**	715,601
Unallocated head office and corporate liabilities	**11**	3
Elimination of inter-segment balances	**(65,083)**	(31,250)
Consolidated total liabilities	**694,902**	684,354

4 OTHER NET INCOME

	Note	2022 *RMB'000*	2021 *RMB'000*
Interest income	*(i)*	**4,658**	4,528
Government grants	*(ii)*	**16,070**	15,519
Net realised gains on financial assets measured at FVPL		**2,101**	1,748
Fair value gain of investment properties		**689**	230
Net valuation (loss)/gain on financial assets measured at FVPL		**(154)**	667
Net loss on disposal of property, plant and equipment		**(52)**	(64)
Gain on disposal of subsidiaries		**164**	88
Gain on disposal of an associate and joint ventures		**–**	362
Fair value gain/(loss) of contingent consideration		**7,180**	(1,126)
Gain on acquisitions of subsidiaries		**–**	702
Others		**(2,277)**	137
		28,379	22,791

Notes:

(i) The interest income represents the interest from cash at bank.

(ii) The government grants represent subsidies from various PRC authorities. There are no unfulfilled conditions or future obligations attached to these subsidies.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2022 *RMB'000*	2021 *RMB'000*
Amortisation cost of intangible assets	**5,075**	4,046
Depreciation charge		
— owned property, plant and equipment	**3,445**	3,642
Impairment loss on operating rights	**–**	11,498
Auditors' remuneration		
— audit services	**2,600**	2,800
— non-audit services	**110**	570
Cost of inventories	**4,056**	8,397
Lease expenses		
— short-term leases	**2,705**	2,848

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

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

	2022	2021
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax		
Provision for the year	**17,912**	27,872
Deferred tax		
Origination and reversal of temporary differences	**(5,560)**	(21,815)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(374)
	12,352	5,683

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

	2022	2021
	RMB'000	*RMB'000*
Profit before taxation	**62,896**	39,292
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**15,724**	9,823
Tax effect of PRC preferential tax *(note (ii))*	**(5,915)**	(5,463)
Tax effect of non-deductible expenses	**2,221**	1,951
Tax effect of tax losses not recognised	**396**	399
Tax effect of utilisation of tax losses not recognised in previous years	**(74)**	(653)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(374)
	12,352	5,683

Notes:

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

The income tax rate applicable to the Group's subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the reporting period is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the reporting period (2021: Nil).

The Group's PRC subsidiaries are subject to PRC Enterprise Income Tax ("**EIT**") at 25%.

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

Certain subsidiaries have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 2.5% to 5% during the reporting period.

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

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the 2022 is based on the profit attributable to equity shareholders of the Company of RMB41,338,000 (2021: RMB35,466,000) and the weighted average number of 989,410,000 ordinary shares (2021: 996,081,000 ordinary shares) in issue during the year, calculated as follows:

	2022 ***No. of*** ***'000 shares***	2021 *No. of* *'000 shares*
Issued ordinary shares at 1 January	**1,000,000**	1,000,000
Effect of shares held by the employee share trusts	**(10,590)**	(3,919)
Weighted average number of ordinary shares at 31 December	**989,410**	996,081

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 2022 and 2021.

8 TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables from third parties	**421,464**	309,796
Less: ECL allowance	**(120,179)**	(71,702)
	301,285	238,094
Trade receivables from related parties	**178,393**	166,166
Less: ECL allowance	**(65,792)**	(66,633)
	112,601	99,533
Total trade receivables	**413,886**	337,627
Deposits and prepayments	**34,806**	34,898
Payments on behalf of property owners	**25,432**	19,989
Value added tax prepaid	**10,441**	10,249
Other receivables	**34,555**	22,878
Less: ECL allowance for other receivables	**(624)**	(624)
Other receivables	**33,931**	22,254
	518,496	425,017

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

(a) Ageing analysis

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**256,271**	242,113
1 to 2 years	**95,804**	67,797
2 to 3 years	**48,648**	21,646
3 to 4 years	**11,610**	4,245
4 to 5 years	**1,518**	1,800
Over 5 years	**35**	26
	413,886	337,627

Trade receivables are due when the receivables are recognised.

(b) ECL allowance for trade receivables

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

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**138,335**	47,980
Credit loss reversed	**–**	(11,267)
Credit loss recognised	**47,699**	106,869
Written-off	**–**	(7,650)
Effect on disposal of subsidiaries	**(63)**	–
Effect on acquisition of subsidiaries	**–**	2,403
At 31 December	**185,971**	138,335

9 TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**130,779**	111,867
Amounts due to related parties	**13,111**	6,932
Other taxes and charges payable	**22,578**	19,781
Accrued payroll and other benefits	**46,283**	42,206
Deposits	**75,026**	61,701
Interest payable	**388**	125
Other payables and accruals	**80,152**	81,053
	368,317	323,665

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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**101,730**	90,211
1 to 2 years	**22,707**	19,548
2 to 3 years	**4,703**	1,698
Over 3 years	**1,639**	410
	130,779	111,867

10 DIVIDENDS

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

	2022	2021
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$3.00 cents (2021: HK$6.77 cents) per ordinary share	**26,798**	57,655

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

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

	2022	2021
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$6.77 cents per share (2021: HK$3.97 cents)	**57,655**	33,190

CHAIRMAN'S STATEMENT

Dear stakeholders,

On behalf of the Board, I am pleased to present the business review of the Group for the year ended 31 December 2022 and the Group's prospects.

2022 Overview

2022 was a turbulent and unique year full of challenges yet further breakthroughs for the property management industry. Due to the combined effect of factors such as systematic volatility in the relevant upstream industries, gradual relaxation of pandemic control measures and rapid economic recovery, the industry continued to expand as a whole while the growth rate steadied. In 2022, as a result of First Service Holding's dedication in resource accumulation, operational stability, and fundamental quality improvements through strategic organisational transformations, we recorded a total revenue of RMB1,122.3 million, among which, revenue from our property management services amounted to RMB766.8 million, representing a period-over-period increase of 25.5%. Profit for the year amounted to RMB50.5 million, representing a period-over-period increase of 50.4%. As of 31 December 2022, First Service Holding's GFA under management amounted to approximately 51.4 million sq.m. and our total contracted GFA amounted to approximately 71.0 million sq.m., covering 105 cities across 25 provincial-level administrative regions in the PRC.

Promoting green energy through technological innovation

We are committed to using technology to empower property services. Advancing our energy conservation innovations through technology, we endeavour to enhance the competitiveness of our brand, "Technological Living, Homelike Service". In 2022, we were accredited as a technologically advanced small and medium-sized enterprise in Beijing, a high and new tech enterprise in Anhui province and a council member of the Professional Committee on Quality of Human Settlement Environment of China Association for Quality Inspection. In addition, the Beijing Wanguocheng MOMΛ project was awarded the 2022 Beijing Energy Consumption Unit Energy Conservation and Technological Innovation Construction Award and was listed as a typical excellent exemplar in the "2022 Business Climate Action Cases".

Delivering exemplary services with emphasis on strengthening quality enhancement

In 2022, First Service Holding worked in line with the government's disease prevention and control measures and served as the last line of defense in the communities' combat against the pandemic. At the same time, we focused on service granularity, strengthened the foundation for the provision of services, improved the efficiency of enterprise management and cultivated a low-carbon and high-quality lifestyle. We launched the Spring Breeze Campaign (春風行動), the Summer Shower Campaign (夏沐行動), the Autumn Shine Campaign (秋煥行動) and the Winter Hope Campaign (冬望行動) to further improve the quality of our property services. We improved the effectiveness of our community daily life services and enriched the community culture, thereby receiving praises by property owners and recognition from the government.

Continuous expansion in core cities markets by launching benchmark projects

In 2022, First Service Holding formulated strategies to enhance its level of intensive management in core cities. Developing core cities markets enabled us to strengthen market reputation, extend our brand's lead, facilitate regional resources integration and improve management efficiency. We specialised in standardized services and initiated benchmarking projects, which created brand effect. Through our provision of full life-cycle services and leveraging of resource advantages, we achieved high quality and sustainable business development, all together creating more potential for the expansion and diversification of future service businesses. In 2022, we successfully won the biddings for several residential projects of numerous owners' committees, and were awarded with multiple honorary titles.

Strengthening intelligent empowerment and exploring digital management

After three years of exploration, First Service Holding's intelligent community information technology system has achieved solid operation. The management, efficiency and economic value brought to property services by digital intelligence technology and information technology has gradually emerged. We reached the following key milestones in 2022: (i) completing the upgrade of the Green Social Business Platform System, through our efficient management of communal resources, provided property owners with various products and services; (ii) adopting the Green Quality Patrol Management System in all of our projects, analysing and integrating different service scenarios to improve our service quality; and (iii) introducing the digital management initiatives of the Real Estate Brokerage Business Platform, which has enabled full process digital management and improved asset management efficiency.

2023 Outlook

In 2023, various industries are poised for vigorous growth. The recently held national "Two Sessions" also put forward new specific requirements for the property sector in areas such as elderly community support, energy conservation and carbon reduction, and digital transformation, hence setting a new direction for future development of the industry. Therefore, the property management sector, building on its steady expansion, will focus on three core areas, namely improving service quality, highlighting brand value and increasing profitability, to enhance its comprehensive competitiveness and achieve high quality and sustainable development.

For First Service Holding, in furtherance of our mission to "provide customers with green, healthy and digitally connected living experience" and our strategic development objectives in 2023, we will implement the following strategies:

Concurrent business expansion and quality improvement

In 2023, we shall devote ourselves to both business expansion and service improvement, utilizing the quality of our services to support market expansion and demonstrate our competitiveness, and remaining true to our business nature and aspiration all along as a property service provider in the course of property development. For market expansion, we will focus on formulating strategies for core cities and businesses, and create flexible and diversified cooperative approaches. For operation and management, we will adhere to the leadership of the Communist Party of China, promote the construction of "red properties", and strive to resolve property issues raised by owners in relation to residential properties, so that property services can be seen, heard, and felt. In addition, we will accentuate our strengths, assist in energy conservation and consumption reduction, and accelerate business expansion.

Synergy between traditional businesses and urban services

In 2023, we will continue to leverage our strengths and experience in providing traditional property services to, among others, residential properties, public construction properties and commercial properties, while concurrently expediting the implementation of urban services. Smart city services are one of the key areas we will continue to focus on for our future development. We are committed to providing a universal, intensive, refined, and technological urban service product system which takes cities, towns and streets as the mainstay. Meanwhile, we will also provide digital twin platform solutions by combining the informatization of demand in urban governance with the visibility of urban service businesses. Through creating synergy between our traditional property services and urban services, we endeavour to build a unicorn in the green technology property industry.

Synchronising technological research and development and application

In 2023, we will attach greater importance to technological research and development, its practical application, and attaining circulation effect by the synergy between them. Through implementing the "micro-innovation" plan, encouraging improvement by trial and error, and the application and release of technological innovations, we are able to create greater value for customers and enterprises. We have obtained 61 patents in the fields of energy conservation and equipment improvement, and will be introducing more practical innovations. In the future, we will enhance the quality of indoor air by the products which integrated our self-developed four-constant system currently in operation and are embedded in the overall interior furnishing. We will promote the application and marketization process of the AI operation and maintenance cloud platform.

Mutual improvement of management innovation and employee efficiency

In 2023, we will establish five special working groups to carry forward the indomitable Long March spirit and continue to upgrade, simplify and adopt procedures and standardised management through digital technology means, which will effectively improve employee efficiency; we will adopt unique organisational methods and brand culture, stimulating employees' sense of belonging, honour and bliss, creating a job platform, career platform and value platform for the employees, and undertaking the responsibilities and missions of corporate citizens. We will emphasise on the long-term growth of employees. By creating a compliant and dedicated environment, we will focus on the vitality of core talents. We will also further improve internal talent mobility mechanisms, in order to achieve a win-win situation for enterprise development and talents.

APPRECIATION

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

Zhang Peng
Chairman
29 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We provide property management services that promote comfortable living through technological innovation and green living solutions that cover the full property life-cycle. While catering to all stages of the property life cycle, we strive to provide customers with digitally connected, green and healthy living experiences in residential and non-residential properties. As of 31 December 2022, we had contracted to provide property management services in 105 cities across 25 provincial-level administrative regions in the PRC.

We witnessed both opportunities and challenges in 2022. Revenue increased by approximately 0.2% from RMB1,119.9 million for the year ended 31 December 2021 to RMB1,122.3 million for the same period in 2022, primarily due to the increase in number of projects under management. Revenue generated from our core business, property management services, grew steadily to RMB766.8 million, representing an increase of approximately 25.5% as compared to that for the same period in 2021.

Profit for the period increased by approximately 50.4% from RMB33.6 million for the year ended 31 December 2021 to RMB50.5 million for the same period in 2022. Profit for the year after excluding the effect of expected credit loss on trade receivables and contract assets amounted to approximately RMB91.5 million for the year ended 31 December 2022.

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 0.2% from RMB1,119.9 million for the year ended 31 December 2021 to RMB1,122.3 million for the year ended 31 December 2022.

Property Management Services

Our property management services consist of cleaning, security, gardening and repair and maintenance services provided to property developers, property owners and residents. Revenue generated from our property management services increased by approximately 25.5% from RMB611.1 million for the year ended 31 December 2021 to RMB766.8 million for the year ended 31 December 2022. This increase was primarily attributable to the increase in number of projects under management, mainly due to (i) the reorganization of our business management structure in response to the impact of COVID-19 and recent changes in real estate industry policies in the PRC, and (ii) strategic focus on laying out our services in core cities with a view to benefit from centralized management.

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

	As of or for the year ended 31 December											
	2022						2021					
	No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management		No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management	
		sq.m.'000	%		*sq.m.'000*	%		*sq.m.'000*	%		*sq.m.'000*	%
Residential properties	**240**	**49,410**	**69.6**	**177**	**30,255**	**58.9**	245	49,087	66.3	162	27,917	53.6
Public properties	**113**	**6,653**	**9.4**	**113**	**6,653**	**13.0**	105	7,229	9.8	104	6,962	13.4
Commercial and other properties	**181**	**14,956**	**21.0**	**176**	**14,456**	**28.1**	189	17,706	23.9	185	17,179	33.0
Total	**534**	**71,019**	**100.0**	**466**	**51,364**	**100.0**	539	74,022	100.0	451	52,058	100.0

In 2022, the Group focused on expansion and improvement of quality management in order to establish more high-quality projects and scale up its business. Contracted GFA and GFA under management of residential properties remained stable compared to the same period last year. The decrease in contracted GFA and GFA under management of public properties was mainly because we had voluntarily terminated projects that were loss-making and had long payment periods to improve operational efficiency. The decrease in contracted GFA and GFA under management of commercial and other properties is mainly because certain commercial operation projects remained stagnant or were terminated due to the adverse impact of the general downturn of real estate industry in the PRC and the COVID-19 outbreak in 2022.

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

	As of or for the year ended 31 December											
	2022						2021					
	No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management		No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management	
		sq.m.'000	*%*		*sq.m.'000*	*%*		*sq.m.'000*	*%*		*sq.m.'000*	*%*
Modern Land Group [(1)]	**91**	**23,100**	**32.6**	**69**	**14,814**	**28.8**	94	23,263	31.5	63	13,841	26.6
Other associates of our controlling shareholders [(2)]	**13**	**3,500**	**4.9**	**9**	**1,073**	**2.1**	14	3,439	4.6	5	386	0.7
Third parties	**430**	**44,419**	**62.5**	**388**	**35,477**	**69.1**	431	47,320	63.9	383	37,831	72.7
Total	**534**	**71,019**	**100.0**	**466**	**51,364**	**100.0**	539	74,022	100.0	451	52,058	100.0

Notes:

(1) Modern Land Group means Modern Land (China) Co., Limited (當代置業(中國)有限公司) (stock code:1107) and its subsidiaries.

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

Green Living Solutions

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

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

	Year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Energy operation services	**119,621**	**73.2**	115,276	58.8
Systems installation services	**37,827**	**23.1**	54,182	27.7
Green technology consulting services	**–**	**–**	9,801	5.0
Sales of AIRDINO systems	**6,034**	**3.7**	16,656	8.5
Total	**163,482**	**100.0**	195,915	100.0

Revenue generated from our green living solutions decreased by approximately 16.6% from RMB195.9 million for the year ended 31 December 2021 to RMB163.5 million for the year ended 31 December 2022. Such decrease was primarily attributable to the decrease in revenue from system installation services, green technology consulting services and sales of AIRDINO systems as a result of our strategic adjustments made due to the adverse impact of the general downturn of real estate industry in the PRC and the COVID-19 pandemic in 2022.

Value-Added Services

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

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

	Year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Value-added services to non-property owners				
Sales assistance services	**20,940**	**10.9**	138,777	44.4
Preliminary planning and design consultancy services	**7,004**	**3.7**	14,428	4.6
Subtotal	**27,944**	**14.6**	153,205	49.0
Community value-added services				
Parking space management services	**58,786**	**30.6**	63,141	20.1
Home living services	**92,192**	**48.0**	81,549	26.1
Communal area leasing services	**13,046**	**6.8**	14,983	4.8
Subtotal	**164,024**	**85.4**	159,673	51.0
Total	**191,968**	**100.0**	312,878	100.0

Revenue generated from our value-added services decreased by approximately 38.6% from RMB312.9 million for the year ended 31 December 2021 to RMB192.0 million for the year ended 31 December 2022. This decrease was primarily because we discontinued our sales assistance services on a large scale considering the difficulty in cash flow collection and the general downturn of real estate market in the PRC.

Cost of Sales

Our cost of sales increased by approximately 9.8% from RMB784.5 million for the year ended 31 December 2021 to RMB861.4 million for the same period in 2022. This increase was primarily due to the increase in number of projects under management and the increase in costs in relation to pandemic prevention as a result of the COVID-19 pandemic.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by approximately 22.2% from RMB335.4 million for the year ended 31 December 2021 to RMB260.9 million for the same period in 2022.

Our gross profit margin decreased from 29.9% for the year ended 31 December 2021 to 23.2% for the same period in 2022.

Our gross profit margin of our property management services decreased from 23.8% for the year ended 31 December 2021 to 20.1% for the same period in 2022. Such decrease was primarily attributable to (i) the increase in maintenance and staff costs to enhance the quality of our property management services and (ii) the development of projects with relatively lower gross profit margins in order to expand our market share.

Our gross profit margin of our green living solutions decreased from 29.1% for the year ended 31 December 2021 to 20.2% for the same period in 2022, which was primarily due to the increase in price of natural gas.

Our gross profit margin of our value-added services decreased from 42.5% for the year ended 31 December 2021 to 38.6% for the same period in 2022, primarily because we adjusted our strategies to optimise our business structure by slowing down the expansion of our sales assistance services in light of the adverse impact of the general downturn of real estate industry in the PRC and the COVID-19 pandemic in 2022.

Other Net Income

Our other net income increased by approximately 24.5% from RMB22.8 million for the year ended 31 December 2021 to RMB28.4 million for the year ended 31 December 2022. This increase was primarily attributable to the increase in fair value gain of contingent consideration arising from our acquisitions.

Selling Expenses

Our selling expenses decreased by approximately 39.5% from RMB18.2 million for the year ended 31 December 2021 to RMB11.0 million for the year ended 31 December 2022. This decrease was primarily attributable to the optimisation of our sales personnel structure according to our strategic restructuring leading to the decrease in sales personnel headcount.

Administrative Expenses

Our administrative expenses decreased by approximately 7.2% from RMB186.5 million for the year ended 31 December 2021 to RMB173.0 million for the year ended 31 December 2022, primarily attributable to the optimisation of our personnel structure in accordance with our strategic adjustments and that there was a one-off impairment loss of intangible assets in 2021.

Expected Credit Loss on Trade Receivables and Contract Assets

Our expected credit loss on trade and other receivables and contract assets decreased by approximately 63.8% from RMB113.1 million for the year ended 31 December 2021 to RMB40.9 million for the year ended 31 December 2022. This decrease was primarily due to the decrease in recognition of the expected credit loss allowances for certain receivables due from customers from real estate sector as the real estate industry is on the mend despite the general downturn of real estate industry in the PRC in 2022. Meanwhile, our management has been taking various measures to collect receivables due from real estate customers.

Income Tax

Our income tax increased by approximately 117.3% from RMB5.7 million for the year ended 31 December 2021 to RMB12.4 million for the year ended 31 December 2022. This increase was primarily attributable to the increase in profit before taxation in 2022 as compared to that in 2021.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 50.4% from RMB33.6 million for the year ended 31 December 2021 to RMB50.5 million for the year ended 31 December 2022. Profit for the year after excluding the effect of expected credit loss on trade receivables and contract assets amounted to approximately RMB91.5 million for the year ended 31 December 2022.

Trade and Other Receivables

As of 31 December 2022, trade and other receivables amounted to RMB518.5 million, representing an increase of 22.0% as compared with RMB425.0 million in 2021, primarily due to the increase in number of projects under management.

Trade and Other Payables

As of 31 December 2022, trade and other payables amounted to RMB368.3 million, representing an increase of 13.8% as compared with RMB323.7 million in 2021, primarily due to (i) our business expansion and (ii) the improvement of our supply chain management in respect of supplier selection and approval of payments in pursuit of more flexible credit terms.

Goodwill

As of 31 December 2022, our goodwill amounted to RMB181.7 million arising from acquisitions of Dalian Yahang Property Management Co., Ltd.* (大連亞航物業管理有限公司) ("**Dalian Yahang**") and Qingdao Luohang Enterprises Management Co., Ltd* (青島洛航企業管理有限公司) ("**Qingdao Luohang**") in March 2021 in expectation of synergies and efficiencies from integrating the acquired companies into the Group's existing property management business which is expected to help the Group become a more efficient and effective competitor in the PRC.

Contingent Consideration

As of 31 December 2022, the Group had contingent consideration totaling RMB32.3 million which arose from the performance undertaking provisions of acquisitions of Dalian Yahang and Qingdao Luohang. For details, please refer to the announcements of the Company dated 10 March 2021 and 30 March 2021. The Group's contingent consideration as of 31 December 2022 decreased by approximately 18.2% from RMB39.5 million as of 31 December 2021. The decrease was mainly attributable to the decrease in contingent consideration of the acquisition of Qingdao Luohang, resulting from its performance in 2022, during which we discontinued certain projects considering the difficulty in cash flow collection.

Capital Structure

Our total assets increased from RMB1,357.9 million as of 31 December 2021 to RMB1,369.3 million as of 31 December 2022. Our total liabilities increased from RMB684.4 million as of 31 December 2021 to RMB694.9 million as of 31 December 2022. Liabilities-to-assets ratio increased from 50.4% as of 31 December 2021 to 50.7% as of 31 December 2022.

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

Liquidity, Capital Resources and Gearing

The Group adopts a stable and prudent approach on its finance and treasury policy, aiming to maintain an optimal financial position and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans. For the year ended 31 December 2022, we financed our operations primarily through internal resources, bank borrowings and the proceeds from the global offering (the "**Global Offering**") of our shares (the "**Shares**") in connection with the listing of our Shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). We mainly utilized our cash on payments on staff costs, purchases for services and materials and other working capital needs. Our cash and cash equivalents, which were mainly denominated in Renminbi, decreased by 20.1% from RMB495.8 million as of 31 December 2021 to RMB396.1 million as of 31 December 2022.

Our gearing ratio, being total interest-bearing borrowings divided by total equity, decreased from 3.04% as of 31 December 2021 to 0.85% as of 31 December 2022.

Capital Expenditures

Our capital expenditure increased by 5.7% from RMB8.6 million for the year ended 31 December 2021 to RMB9.1 million for the same period in 2022. Our capital expenditure was used primarily for the purchase of office and other equipment, software and operation rights.

Indebtedness

Bank Loans

As of 31 December 2022, the Group did not have any outstanding bank loans (as of 31 December 2021: RMB20.5 million).

As of 31 December 2022, the Group did not have any banking facilities (as of 31 December 2021: RMB24.0 million were utilised to the extent of RMB20.5 million).

Contingent Liabilities

As of 31 December 2022, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that were likely to have a material and adverse effect on our business, financial condition or results of operations.

Final Dividends

The Board has recommended the payment of a final dividend of HK3.00 cents per share for the year ended 31 December 2022, being HK$30.0 million in aggregate (HK6.77 cents per share for the year ended 31 December 2021, being HK$67.7 million in aggregate). Subject to the approval of shareholders of the Company (the "**Shareholders**") at the annual general meeting to be held on Tuesday, 20 June 2023 (the "**AGM**"), the final dividend is expected to be paid on Tuesday, 18 July 2023 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 5 July 2023.

Pledge of Assets

As of 31 December 2022, the Group did not have any pledge on its assets.

Significant Events After the Reporting Period

There are no material events subsequent to 31 December 2022 which could have a material impact on the operating and financial performance of the Group as of the date of this announcement.

Foreign Exchange Risk and Hedging

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

Material Acquisitions and Future Plans for Major Investment

On 21 November 2022 (after trading hours), the Company as the purchaser (the "**Purchaser**"), and Platinum Wish Limited (鉑願有限公司) ("**Platinum Wish**") and View Max Limited (景至有限公司) ("**View Max**") (collectively, as the "**Vendors**") entered into the share transfer agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, 800 issued shares of Century Golden Resources Services Group Co., Ltd. (世紀金源服務集團有限公司) (the "**Target Company**"), which represent 8% of the issued share capital of the Target Company, at a total consideration of RMB163,045,449.60 (equivalent to approximately HK$179,520,000) (the "**Acquisition**"). The consideration will be satisfied by the issue and allotment of a total of 264,000,000 consideration shares of the Company at the issue price of HK$0.68 per consideration share by the Company to the Vendors pursuant to the specific mandate, among which (i) 158,400,000 consideration shares of the Company will be issued and allotted to Platinum Wish and (ii) 105,600,000 consideration shares of the Company will be issued and allotted to View Max.

For details, please refer to the announcements of the Company dated 21 November 2022 and 30 December 2022. As of the date of this announcement, the completion of the Acquisition had not taken place and 264,000,000 consideration shares of the Company had not been issued to the Vendors.

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2022. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 12 October 2020 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Annual General Meeting

The AGM of the Company will be held on Tuesday, 20 June 2023. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement of the Shareholders to attend the AGM, the register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023 (both days inclusive). To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 14 June 2023.

For determining the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will also be closed from Monday, 3 July 2023 to Wednesday, 5 July 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 30 June 2023.

Company Information

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

Employees

As of 31 December 2022, we had a total of 5,430 employees, all of whom were based in the PRC.

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

We believe that the long-term sustainable development of our employees is an important factor to the long-term growth of the Group's performance. We implemented (i) the "Talented Apprentice" (匠才生) recruitment and training scheme to recruit fresh graduates with bachelor's degree and above, so as to provide the Company with long-term core talent pools, (ii) the "Talented Leaders Scheme" (將才計劃) to hunt for and bring in mature business and management talents from external source, (iii) the "Starlight Training Scheme" (星光培訓計劃) to guarantee the provision of systematic training for the promotion of internal staff, (iv) the "Star Rating Scheme" (星級評定計劃) to attract external talents and retain internal outstanding employees by constructing a differentiated salary system, and (v) the "Long March Scheme" (長征計劃) to focus on the long term growth of our employees, which includes creating a compliant and dedicated environment, focusing on the vitality of core talents, setting up employee care groups and performance counselling groups to care for the employees and conduct performance coaching to convey warmth of the organisation and foster service culture, improving the internal talent mobility mechanisms, and designing an appraisal mechanism related to performance and an incentive and accountability system. We also initiated the "Feng He Scheme" (風禾計劃) to attach importance to the self-improvement of senior managements and executives of the Company and lay a solid foundation for the management of the Company, so as to maintain a rapid and healthy development for our Company. Moreover, we have adopted a Share Option Scheme (as defined below) to incentivize qualified employees and a Share Award Scheme (as defined below) to retain eligible persons.

Use of Proceeds

The Company was listed on the Stock Exchange on 22 October 2020. The net proceeds from the Global Offering amounted to approximately HK$571.2 million, and have been, and are proposed to be, applied in accordance with the intended use of the proceeds as set out in (i) the section headed "Future Plans and Use of Proceeds" of the Prospectus and (ii) the Company's announcement dated 10 June 2022 in relation to the change in use of proceeds.

The following table sets forth the status of the use of net proceeds from the Global Offering[1] as of 31 December 2022:

Intended use of proceeds	Percentage of intended use of proceeds *(%)*	Intended use of proceeds from the Global Offering	Amount of used proceeds as of 31 December 2022	Amount of unused proceeds balance as of 31 December 2022	Timeframe for the unused balance
			(In HK$ millions)		
Strategic acquisitions or investments in property management companies	**50.0**	**285.6**	**205.8**	**79.8**	**By the end of 2023**
Distribute to the Shareholders by way of cash dividend[2]	**20.0**	**114.2**	**67.7**	**46.5**	**By the end of 2023**
Payment of the final dividend for the year ended 31 December 2021[2]	11.9	67.7	67.7	–	–
Payment of dividend in the upcoming financial years[2]	8.1	46.5	–	46.5	By the end of 2023
Research and develop green technologies	**5.0**	**28.6**	**–**	**28.6**	**By the end of 2023**
Upgrade AIRDINO No. 1 and No. 2	1.0	5.7	–	5.7	By the end of 2023
Upgrade AIRDINO No. 3	2.0	11.4	–	11.4	By the end of 2023
Research cross-seasonal energy storage capabilities in connection with ground-source heat pump systems	0.75	4.3	–	4.3	By the end of 2023
Research automated means of operating energy stations through IoT systems, big data and AI technologies	1.25	7.1	–	7.1	By the end of 2023
Develop our intelligent community and enhance our Information technology systems	**10.0**	**57.1**	**–**	**57.1**	**By the end of 2023**
Upgraded our internal systems	2.8	16.0	–	16.0	By the end of 2023
Develop our intelligent community	7.2	41.1	–	41.1	By the end of 2023
Attracting and nurturing talent	**5.0**	**28.6**	**–**	**28.6**	–
Expand hiring and recruitment initiatives under our "Talented Leaders Scheme" (將才計劃) and "Talented Apprentice Scheme" (匠才生計劃)	4.175	23.8	–	23.8	–
Supplement our existing training programs	0.825	4.7	–	4.7	–
General business operations and working capital	**10.0**	**57.1**	**55.1**	**2.0**	**–**
Total	**100.0**	**571.2**	**328.6**	**242.6**	**By the end of 2023**

Notes:

1. The figures in the table are approximate figures and are subject to rounding adjustments.

2. Up to 20.0% (or HK$114.2 million) of the net proceeds from the Global Offering, which was originally intended to be used to invest in energy operation projects and obtain energy operation rights, has been changed to be used to distribute to the Shareholders by way of cash dividend. For details, please refer to the announcement of the Company dated 10 June 2022.

3. To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if the Company is unable to put into effect any part of its plans as intended, the Company may temporarily use such funds to invest in short-term wealth management products so long as it is deemed to be in the best interests of the Company. In such event, the Company will comply with the appropriate disclosure requirements under the Listing Rules. Together with the income to be generated from the investment in wealth management products, the Company will continue to apply the unutilized net proceeds in the manner disclosed in the Prospectus.

Effects of the Resurgence of COVID-19

Since the outbreak of COVID-19 in 2020, our management has not only closely monitored the effects on operational and financial performance of our Group as a result of COVID-19, but also proactively implemented various measures in our property management projects and devoted sufficient resources to prevent transmission of or mitigate exposure to the disease including, among others, setting up control points for temperature screening and COVID-19 testing points to assist governments in management of COVID-19, regularly cleaning and disinfecting common areas, waste disposal units, elevators and ventilator systems in our properties under management, placing hand sanitizers and disposable gloves in public areas and increasing the supply of suitable protective gear, medicine and daily necessities for our staff. In 2022, we did not encounter material disruptions to our business operations and supply chain, although certain commercial operation projects remained stagnant or were terminated and the payment cycle of certain projects has been lengthened due to the adverse impact of the real estate industry in the PRC and the COVID-19 outbreak. We also did not experience significant labor shortages. As at the date of this announcement, COVID-19 does not have a material adverse impact on the financial position and operating result of the Group.

SHARE OPTION SCHEME

The share option scheme (the "**Share Option Scheme**") was conditionally approved and adopted by our Shareholders on 25 September 2020 and effective upon Listing. The purpose of the Share Option Scheme is to provide our Company with a means of incentivizing any 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 2022, no options had been granted or agreed to be granted, and thus no options had been exercised, cancelled or lapsed under the Share Option Scheme. As a result, the total number of Shares available for grant under the Share Option Scheme was 100,000,000, representing 10% of the total number of Shares in issue of the Company as of the date of this announcement.

SHARE AWARD 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. No share awards under the Share Award Scheme were granted nor vested during the year ended 31 December 2022 and as of 31 December 2022, there were 18,750,000 Shares held in trust by the trustee under the Share Award Scheme.

On 29 July 2021, the Company was informed that Cedar Group Management Limited ("**Cedar Group**"), one of the controlling Shareholders of the Company, adopted a share award scheme (the "**Cedar Share Award Scheme**") for eligible persons in order to retain them for the continuous operation and development of the Group, and to attract suitable personnel for further development of the Group. The award shares will be satisfied by the existing Shares beneficially owned by Cedar Group and no new Share will be issued by the Company as a result of the grant of award shares under the Cedar Share Award Scheme. As of 31 December 2022, a total of 63,782,250 Shares, representing all Shares held by Cedar Group before the adoption of the Cedar Share Award Scheme which were available for granting, have been granted and vested. Cedar Group no longer held any Share as of the date of this announcement.

ROUNDING

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance its corporate value and accountability. The Company has adopted Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules as its own code of governance. The Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2022. The Company will continue to review and monitor its corporate governance practice to ensure compliance of the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. After making specific enquiry to all Directors, the Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2022.

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

During the year ended 31 December 2022, the Company had entrusted the trustee under the Share Award Scheme to purchase, in aggregate, 9,850,000 Shares on market at the aggregate consideration of approximately RMB6.6 million. No share awards under the Share Award Scheme were granted nor vested during the year ended 31 December 2022 and 18,750,000 Shares were held in trust by the trustee under the Share Award Scheme as of 31 December 2022.

Save as disclosed above, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Audit Committee and Review of Financial Statements

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

The Audit Committee has discussed with the management and external auditor the accounting principles and policies adopted by the Group, reviewed the annual results for the year ended 31 December 2022 and considered that the annual results have been prepared in accordance with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements and have made appropriate disclosures accordingly.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position as of 31 December 2022, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

Publication of Annual Results and Annual Report 2022

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.firstservice.hk), and the annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 29 March 2023

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, Mr. Cheng Peng and Mr. Chen Sheng.

* *For identification purposes only*