

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



INTERIM REPORT 2023



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Peiqing (劉培慶)
Mr. Jia Yan (賈岩)
Mr. Jin Chungang (金純剛)
Ms. Zhu Li (朱莉)

Non-executive Directors

Mr. Zhang Peng (張鵬) (*Chairman of the Board*)
Mr. Long Han (龍晗)

Independent Non-executive Directors

Ms. Sun Jing (孫靜)
Mr. Cheng Peng (程鵬)
Mr. Chen Sheng (陳晟)

AUDIT COMMITTEE

Ms. Sun Jing (*Chairlady*)
Mr. Cheng Peng
Mr. Chen Sheng

REMUNERATION COMMITTEE

Mr. Cheng Peng (*Chairman*)
Mr. Zhang Peng
Ms. Sun Jing

NOMINATION COMMITTEE

Mr. Zhang Peng (*Chairman*)
Mr. Cheng Peng
Mr. Chen Sheng

COMPANY SECRETARY

Ms. Ng Sau Mei (伍秀薇)
(*FCG, HKFCG*) (appointed with effect from 20 June 2023)
Ms. Szeto Kar Yee Cynthia
(resigned with effect from 20 June 2023)

AUTHORISED REPRESENTATIVES

Mr. Liu Peiqing
Ms. Ng Sau Mei (appointed with effect from 20 June 2023)
Ms. Szeto Kar Yee Cynthia
(resigned with effect from 20 June 2023)

REGISTERED OFFICE

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Cayman Islands

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INDEPENDENT AUDITOR

KPMG

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the Financial Reporting Council Ordinance*

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Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall

Cricket Square, Grand Cayman, KY1-1102

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

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PRINCIPAL BANK

China Guangfa Bank, Beijing Dongzhimen Branch

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Donghuan Plaza

9 Dongzhong Street, Dongcheng District

Beijing, PRC

COMPANY'S WEBSITE

www.firstservice.hk

Company Profile

Overview of First Service Holding (2107.HK)

Founded in Beijing in 1999, First Service Holding was listed on the Main Board of the Stock Exchange with the stock code of 2107 on 22 October 2020. It is a green service company that provides property management services, community operation services, building technology consulting and research and development of products, energy station operation and maintenance. It positions itself as an operator of full life scene industry homes with green technology and is committed to providing customers with green, healthy and digitally connected living experiences.

First Service Holding has a wide presence in large and medium-sized cities across China with businesses involving residential buildings, villas, office buildings, hospitals, colleges and universities and industrial parks etc.. First Service Holding has received many honors, such as, the Top 18 Property Management Companies in China in terms of Comprehensive Strength (中國物業服務企業綜合實力TOP 18), the Top 10 Residential Property Service Companies (住宅物業服務企業TOP 10), the Leading Smart Property Service Company (智慧物業服務領軍企業), the Red Property Benchmark Company (紅色物業標杆企業), the Customer Satisfaction Model Enterprise (客戶滿意度模範企業) and the Leading Industrial Park Service Company (產業園區服務領先企業). The projects under management also received various green building and healthy building label certifications issued by the Ministry of Housing and Urban-Rural Development (MOHURD).

Financial Highlights

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	RMB'000	<i>RMB'000</i>
Revenue	600,198	553,183
Profit before taxation	55,288	33,187
Profit for the period	44,426	25,145
Total comprehensive income for the period	51,110	35,899
	30 June	31 December
	2023	2022
	RMB'000	<i>RMB'000</i>
	(Unaudited)	
Assets		
Non-current assets	302,047	299,484
Current assets	1,110,033	1,069,825
Total assets	1,412,080	1,369,309
Equity and liabilities		
Equity attributable to the equity shareholders of the Company	641,263	629,280
Total equity	693,066	674,407
Non-current liabilities	7,122	28,214
Current liabilities	711,892	666,688
Total liabilities	719,014	694,902
Total equity and liabilities	1,412,080	1,369,309

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 2023 and the Group's prospects.

Performance overview

In the first half of 2023, the impact of the epidemic continued to subside and the economic order has been restored. The property management industry gradually progressed and is back on track, with positive development momentum and prospects. However, the Company still faced sequelae of the epidemic and challenges brought about by establishing independence from real estate industry. Notwithstanding the ever-changing markets and increasingly fierce competition, First Service Holding relied on the momentum of steady development over the years and its strong foundation in quality and service, enhanced its brand reputation, continued to accumulate customer reputation and regional popularity, and utilized its strengths to establish third-party businesses. In 2023, the Company began a new chapter with the annual goal of "expanding in scale, establishing professionalism, and improving operation".

Continuous revenue growth and optimization of profit structure

In the first half of 2023, the Company recorded a total revenue of RMB600.2 million, representing a period-over-period increase of 8.5%, of which revenue from property management services amounted to RMB415.6 million, representing a period-over-period increase of 15.0%, revenue from value-added services amounted to RMB108.3 million, representing a period-over-period increase of 13.3%, and revenue from green living solutions amounted to RMB76.3 million, representing a period-over-period decrease of 20.6%. The Company actively responded to market changes, optimized its business structure, improved project quality, and achieved steady growth. At the same time, we enhanced efforts to promote refine operations. Gross profit margin increased by approximately 3.1 percentage points to 28.2% as compared with the same period last year; administrative expenses-to-revenue ratio decreased by approximately 2.2 percentage points to 14.2% as compared with the same period last year; and profit for the period in the first half of 2023 increased by approximately 76.7% to RMB44.4 million as compared with the same period last year.

Tapping into the existing property market and focusing on quality businesses

As of 30 June 2023, the Company's contracted GFA amounted to approximately 74.2 million sq.m., representing a period-over-period increase of 2.8%, and GFA under management amounted to approximately 53.1 million sq.m., representing a period-over-period increase of 7.1%, achieving steady growth in scale. In the first half of 2023, the Company concentrated on the existing property market, focused on high-end residential and public projects and scaled down on commercial projects with unsatisfactory returns. The strengths of public projects were accentuated and the expansion results were distinguished, with the contracted GFA of public properties increased by approximately 13.5 million sq.m. compared with the same period last year.

Chairman's Statement

Enhancing management density and strengthening independence

In the first half of 2023, the Company integrated its own resource endowment and strategic direction to lay out major city clusters and enhance density of urban management. As of 30 June 2023, the Company's contracted to provide property management service projects in 95 cities across 23 provinces (autonomous regions and municipalities) in China, focusing on core cities such as Beijing, Taiyuan and Changsha. The Company has strengthened the cultivation of its professional and efficient market development team, utilized its regional resources and strengths of its brand, and made breakthroughs in third-party project expansion. As of 30 June 2023, the Company's contracted GFA from third parties accounted for 64.7%, representing an increase of 3.7 percentage points as compared with the same period last year, and business independence was further improved.

Insisting on customer-based culture and practicing social responsibility

The Company has always taken it as its mission to provide customers with green, healthy and digitally connected living experience. The Company practiced customer-based service philosophy, actively improved service quality and took the initiative to assume social responsibility. In the first half of 2023, the Company successively carried out the joint construction of red properties, established 19 Party branches, created 101 movement routes, built 18 model projects, organized 100 talks for property owners, held 644 community cultural activities, and replanted over 100,000 sq.m. of seedlings. We were selected as the Top 100 Property Service Companies in China in 2023 (2023年中國物業企業百強) and were ranked 19th in the Top 100 Property Management Companies of China (中國物業百強) by China Index Academy and won the honor for best ESG practices of China's listed property enterprises jointly issued by CPM Think Tank (中物智庫) and China Property Research Institute (中物研究院).

Outlook

In the second half of 2023, the Company will continue to uphold the operation philosophy of "Technological Living, Homelike Service", deeply explore existing property market, refine operation management, focus on service quality, develop diverse services, comprehensively enhance competitiveness in the market, so as to achieve high-quality and sustainable development. The Company will implement the following strategies in furtherance of this goal:

Quality scale expansion

Scale expansion is one of the Company's main goals, meanwhile, we will also look into creating synergy between scale and quality. In the second half of 2023, in terms of market expansion, the Company will focus on deep cultivation in the top ten cities, thereby enlarging servicing areas through regional based expansion, in order to seize existing market opportunities. The Company places emphasis on expansion and stability, simultaneous development of residential and public property projects, broadening of management styles and realizing synergy of resources. In terms of operation management, the Company will establish benchmark projects to enhance professionalism, standardization and refine management capabilities. By adhering to mainstream cultural brand activities, improve response speed and quality and enhance customer experience. At the same time, the Company plans to utilize service centers as execution units to explore and establish a new service model for "joint community contribution, governing and sharing" that is community-driven and dependent on the participation of property owners.

Chairman's Statement

Enhancing diversified income

Our income growth is closely related to the expansion of the Company's main business layout, which will be one of our focuses in the future. In the second half of 2023, with regard to basic property management, the Company will emphasize on brand building for enhancement of brand reputation, focus on quality control to improve customer satisfaction, and refine operation and management for cost reduction and efficiency improvement. We will comprehensively promote the high-quality development of basic services so as to lay the foundation for the development of diversified services. In terms of value-added services, the Company will consolidate our existing businesses such as space management, community retail, home delivery services and decoration services, while anchoring on innovative tracks such as food supply chain safety, we-media incubation and public domain traffic development. In terms of urban services, as an ongoing area of concern, we are committed to promoting a globalized, intensified, refined and technologically advanced urban service product system with cities, towns and streets as the main entity, so as to achieve synergy between traditional property services and urban services.

Organizational management innovation

Organizational development and management innovation determine the operation efficiency and management effectiveness of an enterprise, and is an important component of an enterprise. In the second half of 2023, in terms of management innovation, the Company will further upgrade the information system. We will also upgrade the process and standardize management through digital technological means, and improve the efficiency of internal communication. We will implement the regionalized management and control model, and realize personnel sharing and human efficiency improvement through intensive operation. In terms of talent training, the Company will actively practice the "five talents" strategy, strengthen the construction and cultivation of the talent pool, continuously promote training and professional enhancement, stimulate the vitality of the organization and the talents, thereby build a sustainable growth team, and cultivate new energy for the development of the Company.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, customers and suppliers 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

30 August 2023

Management Discussion and Analysis

Revenue

We generate revenue primarily through our three business lines, namely (i) property management services, (ii) value-added services, and (iii) green living solutions. Our revenue increased by approximately 8.5% from RMB553.2 million for the six months ended 30 June 2022 to RMB600.2 million for the same period in 2023.

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Property management services	415,586	69.2	361,512	65.3
Value-added services	108,349	18.1	95,619	17.3
Green living solutions	76,263	12.7	96,052	17.4
Total	600,198	100.0	553,183	100.0

Property Management Services

Our property management services consist of cleaning, security, gardening, repair and maintenance services provided to property developers, property owners and residents. Revenue from property management services increased by approximately 15.0% from RMB361.5 million for the six months ended 30 June 2022 to RMB415.6 million for the same period in 2023. This increase was primarily attributable to the increase in GFA under management as a result of our active expansion.

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

	As of or for the six months ended 30 June											
	2023						2022					
	No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management		No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management	
	sq.m.'000	%		sq.m.'000	%		sq.m.'000	%		sq.m.'000	%	
Residential properties	244	52,071	70.2	186	33,111	62.4	244	50,175	69.5	158	28,005	56.5
Public properties	206	20,243	27.3	186	18,616	35.1	131	6,698	9.3	131	6,698	13.5
Commercial and other properties	60	1,841	2.5	54	1,362	2.5	185	15,290	21.2	182	14,864	30.0
Total	510	74,155	100.0	426	53,089	100.0	560	72,163	100.0	471	49,567	100.0

Management Discussion and Analysis

In the first half of 2023, the Group focused on market expansion and quality management in order to establish more high-quality projects and scale up its business. We focused on the current property market, with residential property projects as our foundation. At the same time, we also concentrated on developing public property projects. In the first half of the year, residential property projects made steady progress. The contracted GFA and the GFA under management for residential properties as of 30 June 2023 increased by 3.8% and 18.2%, respectively, compared with the same period last year. At the same time, public properties showcased excellent development. The contracted GFA and the GFA under management for public properties as of 30 June 2023 increased by 202.2% and 177.9%, respectively, compared with the same period last year. In addition, the Group has strategically terminated some commercial projects with poor returns for the development of the Group in the long run, which resulted in a significant decrease in contracted GFA and GFA under management for commercial and other properties.

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

	As of or for the six months ended 30 June											
	2023					2022						
	No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management		No. of contracted projects	Contracted GFA		No. of projects under management	GFA under management	
	sq.m.'000	%		sq.m.'000	%		sq.m.'000	%		sq.m.'000	%	
Modern Land Group ⁽¹⁾	93	23,008	31.0	74	15,238	28.7	92	22,064	30.6	61	13,779	27.8
Other associates of our controlling shareholders ⁽²⁾	11	3,203	4.3	10	1,129	2.1	20	6,047	8.4	7	1,329	2.7
Third parties	406	47,944	64.7	342	36,722	69.2	448	44,051	61.0	403	34,459	69.5
Total	510	74,155	100.0	426	53,089	100.0	560	72,163	100.0	471	49,567	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 Listing Rules) (excluding Modern Land Group), namely Modern Investment Group Co., Ltd., First MOMA Assets Management (Beijing) Co., Ltd. and Super Land Holdings Limited and each of their respective subsidiaries and 30%-controlled companies (as defined under the Listing Rules).

In the first half of 2023, the Group focused on strengthening its independence by expanding projects sourced from third parties. Contracted GFA and GFA under management from third parties as of 30 June 2023 increased by 8.8% and 6.6%, respectively, compared with the same period last year. The Group leveraged its regional resources and brand advantages to make breakthroughs in third parties' public properties.

Management Discussion and Analysis

Value-Added Services

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

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

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Value-added services to non-property owners				
Sales assistance services	8,327	7.7	10,549	11.0
Preliminary planning and design consultancy services	3,575	3.3	2,510	2.6
<i>Subtotal</i>	11,902	11.0	13,059	13.6
Community value-added services				
Parking space management services	37,142	34.3	36,289	38.0
Home living services	50,816	46.9	38,411	40.2
Communal area leasing services	8,489	7.8	7,860	8.2
<i>Subtotal</i>	96,447	89.0	82,560	86.4
Total	108,349	100.0	95,619	100.0

Revenue from value-added services increased by approximately 13.3% from RMB95.6 million for the six months ended 30 June 2022 to RMB108.3 million for the same period in 2023. This increase was because we strategically focused more on our community value-added services. Home living services made a big breakthrough in the first half of the year and realized revenue of RMB50.8 million, representing an increase of approximately 32.3% as compared to the same period last year.

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

Management Discussion and Analysis

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

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Energy operation services	72,061	94.5	69,981	72.8
Systems installation and product sales ^{Note}	4,202	5.5	26,071	27.2
Total	76,263	100.0	96,052	100.0

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

Revenue from green living solutions decreased by approximately 20.6% from RMB96.1 million for the six months ended 30 June 2022 to RMB76.3 million for the same period in 2023. Such decrease was primarily due to our strategic adjustment to devote fewer resources into the system installation services and sales of AIRDINO systems in order to cope with the changing market environment and improve our cash flow.

Cost of Sales

Our cost of sales increased by approximately 4.1% from RMB414.1 million for the six months ended 30 June 2022 to RMB431.0 million for the same period in 2023, primarily due to our business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 21.7% from RMB139.1 million for the six months ended 30 June 2022 to RMB169.2 million for the same period in 2023. Our gross profit margin increased from 25.1% for the six months ended 30 June 2022 to 28.2% for the same period in 2023.

	For the six months ended 30 June			
	2023		2022	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Property management services	99,465	23.9	70,698	20.4
Value-added services	51,518	47.5	45,378	43.8
Green living solutions	18,260	23.9	22,993	24.3
Total	169,243	28.2	139,069	25.1

Gross profit margin of property management services was approximately 23.9%, representing an increase of approximately 3.5 percentage points as compared to the same period last year, which was primarily due to the increase in high-quality and high gross profit projects and the improved ability in cost control as a result of our strategic adjustments.

Management Discussion and Analysis

Gross profit margin of value-added services was approximately 47.5%, representing an increase of approximately 3.7 percentage points as compared to the same period last year, which was primarily due to improvement in management efficiency of the Company as a result of enhanced management of value-added services as impact of the epidemic subsided.

Gross profit margin of green living solutions was approximately 23.9%, which was relatively stable as compared to the same period last year.

Other Income

Our other income decreased by approximately 31.2% from RMB11.0 million for the six months ended 30 June 2022 to RMB7.6 million for the same period in 2023, primarily attributable to the decrease in government grants.

Selling Expenses

Our selling expenses increased by approximately 42.2% from RMB5.4 million for the six months ended 30 June 2022 to RMB7.7 million for the same period in 2023, primarily due to the increase in expenses related to market expansion.

Administrative Expenses

Our administrative expenses decreased by approximately 6.1% from RMB90.8 million for the six months ended 30 June 2022 to RMB85.3 million for the same period in 2023, primarily attributable to the implementation of a series of measures to reduce cost and improve efficiency so as to control related expenses at a more reasonable level.

Impairment Loss on Trade and Other Receivables and Contract Assets

Our impairment loss on trade and other receivables and contract assets increased by approximately 42.5% from RMB19.6 million for the six months ended 30 June 2022 to RMB28.0 million for the same period in 2023, primarily due to the increase in trade and other receivables as a result of our business expansion.

Income Tax

Our income tax increased by approximately 35.1% from RMB8.0 million for the six months ended 30 June 2022 to RMB10.9 million for the same period in 2023. This increase was primarily attributable to the increase in taxable income.

Profit for the Period

As a result of the foregoing, our profit for the period increased by approximately 76.7% from RMB25.1 million for the six months ended 30 June 2022 to RMB44.4 million for the six months ended 30 June 2023.

Trade and Other Receivables

As of 30 June 2023, trade and other receivables amounted to RMB565.4 million, representing an increase of approximately 9.0% as compared with RMB518.5 million as of 31 December 2022. The increase was primarily due to our business expansion.

Management Discussion and Analysis

Trade and Other Payables

As of 30 June 2023, trade and other payables amounted to RMB397.6 million, representing an increase of approximately 7.9% as compared with RMB368.3 million as of 31 December 2022. The increase was primarily due to our business expansion.

Goodwill

As of 30 June 2023, 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 30 June 2023, the Group had contingent consideration totaling RMB32.9 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, 30 March 2021 and 1 August 2023. The Group’s contingent consideration remained relatively stable at RMB32.3 million as of 31 December 2022 and RMB32.9 million as of 30 June 2023, respectively.

Capital Structure

Our total assets increased from RMB1,369.3 million as of 31 December 2022 to RMB1,412.1 million as of 30 June 2023. Our total liabilities increased from RMB694.9 million as of 31 December 2022 to RMB719.0 million as of 30 June 2023. Liabilities-to-assets ratio increased from 50.7% as of 31 December 2022 to 50.9% as of 30 June 2023.

The current ratio, being current assets divided by current liabilities as of the respective date, decreased from 1.60 as of 31 December 2022 to 1.56 as of 30 June 2023.

Liquidity, Capital Resources and Gearing

The Group adopts a stable and prudent approach on its finance and treasury policy, aiming to maintain an optimal financial position and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans. For the six months ended 30 June 2023, we financed our operations primarily through internal resources and the proceeds from the Global Offering of our Shares in connection with the listing of our Shares on 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 approximately 9.1% from RMB396.1 million as of 31 December 2022 to RMB360.2 million as of 30 June 2023.

Our gearing ratio, being total interest-bearing borrowings divided by total equity, decreased from 0.85% as of 31 December 2022 to 0.52% as of 30 June 2023. Our interest-bearing borrowings as of 30 June 2023 consisted of the ending balance of payment of a bank loan on behalf of the Group by a company controlled by Mr. Zhang Peng of RMB3.6 million (31 December 2022: RMB5.8 million) which bears an interest at 4.35% per annum.

Management Discussion and Analysis

Capital Expenditure

Our capital expenditure decreased by approximately 46.5% from RMB4.3 million for the six months ended 30 June 2022 to RMB2.3 million for the same period in 2023. Our capital expenditure was used primarily for the purchase of office and other equipment, software and operation rights.

Indebtedness

Bank Loans

As of 30 June 2023, the Group did not have any outstanding bank loans or any banking facilities (as of 31 December 2022: nil).

Contingent Liabilities

As of 30 June 2023, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that were likely to have a material and adverse effect on our business, financial condition or results of operations.

Interim Dividend

The final dividend for the year ended 31 December 2022 of HK3.00 cents per Share, being HK\$30.0 million in aggregate, has been approved at the annual general meeting of the Company held on 20 June 2023 and was paid in cash on 18 July 2023.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

Pledge of Assets

As of 30 June 2023, the Group did not have any pledge of its assets.

Significant Events After the Reporting Period

There are no material events subsequent to 30 June 2023 which could have a material impact on the operating and financial performance of the Group as of the date of this interim report.

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.

Management Discussion and Analysis

Material Acquisitions and Future Plans for Major Investment

On 21 November 2022, the Company as purchaser has entered into a share transfer agreement with View Max Limited (景至有限公司) (“**View Max**”) and Platinum Wish Limited (鉑願有限公司) (“**Platinum Wish**”) as vendors (the “**Vendors**”) in relation to the acquisition of 8% of the issued share capital of Century Golden Resources Services Group Co., Ltd. (世紀金源服務集團有限公司) by the Company (the “**CG Acquisition**”). On 30 March 2023, the Company entered into the supplemental agreement with the Vendors to extend the long stop date to 31 December 2023. Completion of the CG Acquisition is subject to satisfaction of the conditional precedents as set out in the said share transfer agreement. As of the date of this interim report, the CG Acquisition has not completed. Further announcement(s) will be made by the Company as and when appropriate. For details, please also refer to the announcements of the Company dated 21 November 2022, 30 March 2023 and 20 June 2023, and the circular of the Company dated 31 May 2023.

On 4 May 2023, First Property Service (Anhui) Co., Ltd.* (第一物業服務安徽有限公司), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement (the “**Joint Venture Agreement**”) with Anhui Peifan Venture Capital Co., Ltd.* (安徽沛繁創業投資有限公司) (the “**Joint Venture Partner**”) in relation to the formation of a joint venture company to be established under the laws of the PRC (the “**Joint Venture Company**”). Pursuant to the Joint Venture Agreement and as of the date of this interim report, the Joint Venture Company is owned as to 50% by the Group and 50% by the Joint Venture Partner, and is principally engaged in the provision of property management services, non-residential real estate leasing, labor services, parking lot services, building cleaning services, urban greening management services and other related businesses. For details, please refer to the announcement of the Company dated 4 May 2023.

Save as disclosed above, the Group did not conduct any material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Company Information

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

Employees

As of 30 June 2023, we had a total of 4,013 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.

Management Discussion and Analysis

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 organization 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.

No Material Change

Since the publication of the Group's audited financial statements for the year ended 31 December 2022 on 27 April 2023, there has been no material change to the Group's business.

Use of Proceeds

The Company was listed on the Stock Exchange on 22 October 2020. The net proceeds from the Global Offering amounted to approximately HK\$571.2 million, and have been, and are proposed to be, applied in accordance with the intended use of the proceeds as set out in (i) the section headed "Future Plans and Use of Proceeds" of the Prospectus and (ii) the Company's announcement dated 10 June 2022 in relation to the change in use of proceeds. The following table sets forth the status of the use of net proceeds from the Global Offering⁽¹⁾ as of 30 June 2023:

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 2023 (In HK\$ millions)	Amount of unused proceeds as of 30 June 2023	Timeframe for the unused balance
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

Management Discussion and Analysis

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 2023 (In HK\$ millions)	Amount of unused proceeds as of 30 June 2023	Timeframe for the unused balance
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	11.0	46.1	By the end of 2023
Upgraded our internal systems	2.8	16.0	3.2	12.8	By the end of 2023
Develop our intelligent community	7.2	41.1	7.8	33.3	By the end of 2023
Attracting and nurturing talent	5.0	28.6	23.9	4.7	By the end of 2023
Expand hiring and recruitment initiatives under our “Talented Leaders Scheme” (將才計劃) and “Talented Apprentice Scheme” (匠才生計劃)	4.175	23.9	23.9	–	–
Supplement our existing training programs	0.825	4.7	–	4.7	By the end of 2023
General business operations and working capital	10.0	57.1	57.1	–	–
Total	100.0	571.2	365.5	205.7	

Management Discussion and Analysis

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.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance its corporate value and accountability. The Company has adopted the CG Code 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 2023. The Company will continue to review and monitor its corporate governance practice to ensure compliance of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2023.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee has discussed with the management and external auditor the accounting principles and policies adopted by the Group, reviewed the interim results for the six months ended 30 June 2023 and considered that the interim results have been prepared in accordance with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements and have made appropriate disclosures accordingly.

CHANGES IN DIRECTORS' INFORMATION

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company had entrusted the trustee under the Share Award Scheme to purchase, in aggregate, 10,270,000 Shares on market at the aggregate consideration of approximately RMB4.9 million. No share awards under the Share Award Scheme were granted nor vested during the six months ended 30 June 2023 and 29,020,000 Shares were held in trust by the trustee under the Share Award Scheme as of 30 June 2023.

Save as disclosed above, during the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Other Information

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 status of the use of proceeds as of the end of the Reporting Period is set out in the section headed “Use of Proceeds” under Management Discussion and Analysis of this interim report.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

1. Interests in the Company

Name of Director	Nature of interest	Number of Shares held ⁽⁶⁾	Approximate percentage of shareholding interest ⁽¹⁾
Zhang Peng ⁽⁵⁾	Beneficial owner	8,225,000	0.82%
	Interest in controlled corporation ⁽²⁾	170,777,250	17.08%
Liu Peiqing	Beneficial owner	310,000	0.03%
	Interest in controlled corporation ⁽³⁾	10,988,750	1.10%
Long Han	Interest in controlled corporation ⁽⁴⁾	10,511,250	1.05%
Zhu Li	Beneficial owner	676,155	0.07%
Jia Yan	Beneficial owner	4,499,977	0.45%
Jin Chungang	Beneficial owner	1,007,282	0.10%

Notes:

- (1) The percentage represents the number of ordinary shares interested divided by the number of the Company’s issued shares as at 30 June 2023.
- (2) The Shares are registered under the name of Hao Fung, which is wholly owned by Mr. Zhang Peng. Accordingly, Mr. Zhang Peng is deemed to be interested in all the Shares held by Hao Fung.
- (3) The Shares are registered under the name of Liu Pei Qing Management, which is wholly owned by Mr. Liu Peiqing. Accordingly, Mr. Liu Peiqing is deemed to be interested in all the Shares held by Liu Pei Qing Management.
- (4) The Shares are registered under the name of Long Han Management, which is wholly owned by Mr. Long Han. Accordingly, Mr. Long Han is deemed to be interested in all the Shares held by Long Han Management.
- (5) Mr. Zhang Peng, together with Mr. Zhang Lei, being parties acting in concert, were interested in 513,929,000 Shares, representing approximately 51.39% of the number of the Company’s issued Shares as at 30 June 2023.
- (6) All interests stated are long positions.

Other Information

2. Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Amount of share capital held	Approximate percentage of shareholding interest ⁽¹⁾
Zhang Peng	First Living ⁽¹⁾	Beneficial owner	RMB1,317,397	3.8%
Jia Yan	First Living ⁽¹⁾	Beneficial owner	RMB1,221,853	3.5%

Note:

(1) First Living is a non-wholly owned subsidiary of our Company and thus an associated corporation of our Company.

Save as disclosed above, as at 30 June 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares ⁽⁹⁾	Approximate percentage of interest in the Company ⁽¹⁾
Zhang Lei ⁽²⁾	Interest in controlled corporation	334,926,750	33.49%
Yu Jinmei ⁽³⁾	Interest of spouse	334,926,750	33.49%
Glorious Group ⁽²⁾	Beneficial owner	334,926,750	33.49%
Vistra Trust (Hong Kong) Limited ⁽⁴⁾⁽⁵⁾	Trustee	264,000,000	26.40%
Wang Yujuan ⁽⁶⁾	Interest of spouse	179,002,250	17.90%
Hao Fung ⁽⁷⁾	Beneficial owner	170,777,250	17.08%
Huang Tao ⁽⁵⁾	Founder of a discretionary trust who can influence how the trustee exercises his discretion	158,400,000	15.84%
Platinum Wish ⁽⁵⁾	Beneficial owner	158,400,000	15.84%
Joy Deep Limited ⁽⁵⁾	Beneficial owner	158,400,000	15.84%

Other Information

Name of Shareholder	Nature of interest	Number of Shares ⁽⁹⁾	Approximate percentage of interest in the Company ⁽¹⁾
Huang Shiyong ⁽⁴⁾	Founder of a discretionary trust who can influence how the trustee exercises his discretion	105,600,000	10.56%
View Max ⁽⁴⁾	Beneficial owner	105,600,000	10.56%
Joy Riding Limited ⁽⁴⁾	Beneficial owner	105,600,000	10.56%
CDH Griffin ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
East Oak ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
Access Star ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
Ningbo Runyong ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
Ningbo Weijun ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
Tianjin Haoyong ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
Tianjin Weiyuan ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
Tianjin Taiding ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
Dinghui Investment ⁽⁸⁾	Interest in controlled corporation	86,424,000	8.64%
Shanghai CDH Yaojia ⁽⁸⁾	Beneficial owner	86,424,000	8.64%

Notes:

- (1) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2023.
- (2) Glorious Group Holdings Limited (世家集团控股有限公司) ("**Glorious Group**") is wholly-owned by Mr. Zhang Lei. Therefore, Mr. Zhang Lei is deemed under the SFO to be interested in 334,926,750 Shares held by Glorious Group as of 30 June 2023.
- (3) Ms. Yu Jinmei, the spouse of Mr. Zhang Lei, is deemed under the SFO to be interested in these 334,926,750 Shares in which Mr. Zhang Lei is deemed to be interested.
- (4) View Max is interested in 105,600,000 Shares, which is owned by Joy Riding Limited (樂行有限公司) as to 99% and Leisure Light Limited (悠光有限公司) as to 1%, respectively. Joy Riding Limited is held by Leading Trend Family Trust, the founder and settlor of which is Mr. Huang Shiyong (黃世熒). Vistra Trust (Hong Kong) Limited is the trustee of Leading Trend Family Trust. Mr. Huang Shiyong and his family members are beneficiaries of Leading Trend Family Trust. As such, each of Vistra Trust (Hong Kong) Limited, Joy Riding Limited and Mr. Huang Shiyong is deemed to be interested in the 105,600,000 Shares held by View Max.
- (5) Platinum Wish is interested in 158,400,000 Shares, which is owned by Joy Deep Limited (悅深有限公司) as to 99% and Prime Elegance Limited (至雅有限公司) as to 1%, respectively. Joy Deep Limited is held by Sparkle Fortune Family Trust, the founder and settlor of which is Mr. Huang Tao (黃濤). Vistra Trust (Hong Kong) Limited is the trustee of Sparkle Fortune Family Trust. Mr. Huang Tao and his family members are beneficiaries of Sparkle Fortune Family Trust. As such, each of Vistra Trust (Hong Kong) Limited, Joy Deep Limited and Mr. Huang Tao is deemed to be interested in the 158,400,000 Shares held by Platinum Wish.
- (6) Ms. Wang Yujuan, the spouse of Mr. Zhang Peng, is deemed under the SFO to be interested in these 179,002,250 Shares in which Mr. Zhang Peng is deemed to be interested.

Other Information

- (7) Hao Fung is wholly-owned by Mr. Zhang Peng. Therefore, Mr. Zhang Peng is deemed under the SFO to be interested in these 170,777,250 Shares held by Hao Fung.
- (8) Based on disclosure of interests forms filed with the Stock Exchange and information publicly available as of the date of this interim report, Dinghui Equity Investment Management (Tianjin) Company Limited (鼎暉股權投資管理(天津)有限公司) (“**Dinghui Investment**”) is the general partner of Shanghai CDH Yaojia Venture Capital Center (Limited Partnership) (上海鼎暉耀家創業投資中心(有限合夥)) (“**Shanghai CDH Yaojia**”). Dinghui Investment is owned as to 85.4% by Tianjin Taiding Investment Co., Ltd. (天津泰鼎投資有限公司) (“**Tianjin Taiding**”). Tianjin Taiding is owned as to 45% and 55% by Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司) (“**Tianjin Weiyuan**”) and Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (“**Tianjin Haoyong**”), respectively. Tianjin Weiyuan is wholly-owned by Ningbo Economic and Technological Development Zone Weijun Investment Consulting Co., Ltd. (寧波經濟技術開發區維均投資諮詢有限公司) (“**Ningbo Weijun**”). Ningbo Weijun is wholly-owned by Access Star Company Limited (“**Access Star**”). Tianjin Haoyong is wholly-owned by Ningbo Economic and Technological Development Zone Runyong Investment Consulting Co., Ltd. (寧波經濟技術開發區潤永投資諮詢有限公司) (“**Ningbo Runyong**”). Ningbo Runyong is wholly-owned by East Oak Company Limited (“**East Oak**”). Each of Access Star and East Oak is owned as to 85% by CDH Griffin Holdings Company Limited (“**CDH Griffin**”). Therefore, Dinghui Investment, Tianjin Taiding, Tianjin Weiyuan, Tianjin Haoyong, Ningbo Runyong, Ningbo Weijun, East Oak, Access Star and CDH Griffin are deemed under the SFO to be interested in these 86,424,000 Shares held by Shanghai CDH Yaojia.
- (9) All interests stated are long positions.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

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, employee or officer of any member of our Group (“**Eligible Person**”) who has contributed or will contribute to our Group and retaining employees, and to encourage employees to work towards enhancing the value of our Company and promote the long-term growth of our Company. The Share Option Scheme will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company’s corporate culture.

Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 25 September 2020, with a remaining life of seven years as at the date of this interim report. The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and the Share Award Scheme and all other share schemes existing at such time shall not exceed 10% of the total number of Shares in issue as of the Listing Date.

The exercise price shall be a price determined by the Board at the Board’s absolute discretion and notified to an Eligible Person but in any event shall be at least the higher of (i) the closing price of the Shares on the offer date; (ii) the average of the closing price of the Shares for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share on the offer date. Since the adoption of the Share Option Scheme and up to 30 June 2023, no options had been granted or agreed to be granted, and thus there were no outstanding options as of 1 January 2023 and 30 June 2023, no options had been exercised, cancelled or lapsed under the Share Option Scheme for the six months ended 30 June 2023.

As of 1 January 2023 and 30 June 2023, the total number of new Shares which is available for further grant under the Share Option Scheme is 100,000,000, representing 10% of the issued share capital of the Company as of 1 January 2023 and 30 June 2023, respectively, and the Company has not yet adopted a service provider sublimit.

The number of Shares that may be issued in respect of options granted under the Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue during the Reporting Period is nil as no options were granted under the Share Option Scheme during the Reporting Period.

Other Information

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 10 May 2021 to recognise any individual, being (a) an employee (whether full time or part time), or (b) Director (including executive, non-executive and independent non-executive Directors), officer, consultant, adviser, or (c) distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group and their respective employees, who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme shall be valid and effective for a term of ten years commencing on 10 May 2021, with a remaining life of seven years and seven months as at the date of this interim report. The awards to be granted under the Share Award Scheme will be funded by existing Shares and no new Shares will be issued by the Company under the Share Award Scheme. The Board shall not make any further award of such number of Shares as awarded by the Board to a Selected Participant (as defined in the announcement of the Company dated 10 May 2021) which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme being equal to or greater than 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. No share awards under the Share Award Scheme were granted nor vested since the adoption of the Share Award Scheme and during the six months ended 30 June 2023 and as of 30 June 2023, there were 29,020,000 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. In 2021, a total of 63,782,250 Shares, representing all Shares held by Cedar Group before the adoption of the Cedar Share Award Scheme which were available for grant, have been granted and vested. No awards were granted under the Cedar Share Award Scheme during the six months ended 30 June 2023.

ROUNDING

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective spouse or children under the age of 18, or were there any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other company.

Review Report to the Board of Directors of First Service Holding Limited



Review report to the board of directors of First Service Holding Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 27 to 51 which comprises the consolidated statement of financial position of First Service Holding Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

30 August 2023

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	600,198	553,183
Cost of sales		(430,955)	(414,114)
Gross profit		169,243	139,069
Other income	4	7,592	11,033
Selling expenses		(7,723)	(5,430)
Administrative expenses		(85,292)	(90,833)
Impairment loss on trade and other receivables and contract assets		(27,961)	(19,622)
Finance costs		(165)	(1,071)
Share of loss of an associate		(401)	—
Share of profits of joint ventures		(5)	41
Profit before taxation	5	55,288	33,187
Income tax	6	(10,862)	(8,042)
Profit for the period		44,426	25,145
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)		(234)	60
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency of the Group		6,918	10,694
Other comprehensive income for the period		6,684	10,754
Total comprehensive income for the period		51,110	35,899

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Profit attributable to:			
Equity shareholders of the Company		36,976	20,708
Non-controlling interests		7,450	4,437
Profit for the period		44,426	25,145
Total comprehensive income attributable to:			
Equity shareholders of the Company		43,660	31,462
Non-controlling interests		7,450	4,437
Total comprehensive income for the period		51,110	35,899
Earnings per share			
Basic and diluted (RMB)	7	0.0376	0.0208

The notes on pages 33 to 51 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 11.

Consolidated statement of financial position

at 30 June 2023 — unaudited
(Expressed in RMB)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Investment properties		15,607	15,557
Property, plant and equipment		14,927	14,954
Intangible assets		37,444	39,661
Goodwill	12	181,696	181,696
Interest in joint ventures		32	37
Interest in an associate		4,206	4,607
Other financial assets		3,854	4,165
Deferred tax assets		44,281	38,807
		302,047	299,484
Current assets			
Inventories		813	813
Contract assets		16,357	21,054
Trade and other receivables	8	565,397	518,496
Financial assets measured at fair value through profit or loss ("FVPL")		143,456	107,620
Restricted cash	9	22,205	24,277
Cash and cash equivalents	9	360,206	396,074
Other current assets		1,599	1,491
		1,110,033	1,069,825
Current liabilities			
Trade and other payables	10	397,573	368,317
Contract liabilities		270,557	279,646
Current taxation		10,855	7,046
Contingent consideration — current portion		32,907	11,679
		711,892	666,688
Net current assets		398,141	403,137
Total assets less current liabilities		700,188	702,621

The notes on pages 33 to 51 form part of this interim financial report.

Consolidated statement of financial position

at 30 June 2023 — unaudited
(Expressed in RMB)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current liabilities			
Deferred tax liabilities		7,122	7,559
Contingent consideration — long-term portion		—	20,655
		7,122	28,214
NET ASSETS			
		693,066	674,407
CAPITAL AND RESERVES			
Share capital	11(b)	1	1
Reserves		641,262	629,279
Total equity attributable to equity shareholders of the Company		641,263	629,280
Non-controlling interests		51,803	45,127
TOTAL EQUITY		693,066	674,407

Approved and authorised for issue by the board of directors on 30 August 2023.

Liu Peiqing
Director

Zhu Li
Director

The notes on pages 33 to 51 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2023 — unaudited
(Expressed in RMB)

Note	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Employee share trusts	Capital reserve	Statutory surplus reserves	Exchange reserve	Fair value reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	1	589,130	(7,093)	(65,822)	23,566	(11,960)	(380)	110,036	637,478	36,042	673,520
Changes in equity for the six months ended 30 June 2022:											
Profit for the period	-	-	-	-	-	-	-	20,708	20,708	4,437	25,145
Other comprehensive income for the period	-	-	-	-	-	10,694	60	-	10,754	-	10,754
Total comprehensive income	-	-	-	-	-	10,694	60	20,708	31,462	4,437	35,899
Dividends approved in respect of the previous year	11(a)	-	-	-	-	-	-	(57,655)	(57,655)	(318)	(57,973)
Acquisition of non-controlling interests	-	-	-	20	-	-	-	-	20	(320)	(300)
Acquisition of shares for a share award scheme	-	-	(1,965)	-	-	-	-	-	(1,965)	-	(1,965)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	490	490
Disposal of subsidiaries	-	-	-	-	*	-	-	-	-	(127)	(127)
Balance at 30 June 2022	1	589,130	(9,058)	(65,802)	23,566	(1,266)	(320)	73,089	609,340	40,204	649,544
Balance at 1 January 2023	1	498,285	(12,974)	(65,802)	30,546	3,016	(1,376)	177,584	629,280	45,127	674,407
Changes in equity for the six months ended 30 June 2023:											
Profit for the period	-	-	-	-	-	-	-	36,976	36,976	7,450	44,426
Other comprehensive income for the period	-	-	-	-	-	6,918	(234)	-	6,684	-	6,684
Total comprehensive income	-	-	-	-	-	6,918	(234)	36,976	43,660	7,450	51,110
Dividends approved in respect of the previous year	11(a)	-	(26,798)	-	-	-	-	-	(26,798)	(349)	(27,147)
Acquisition of shares for a share award scheme	11(c)	-	-	(4,879)	-	-	-	-	(4,879)	-	(4,879)
Disposal of subsidiaries	-	-	-	-	(109)	-	-	109	-	(425)	(425)
Balance at 30 June 2023	1	471,487	(17,853)	(65,802)	30,437	9,934	(1,610)	214,669	641,263	51,803	693,066

* Amounts less than RMB1,000.

The notes on pages 33 to 51 form part of this interim financial report.

Condensed consolidated statement of cash flows

for the six months ended 30 June 2023 — unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Operating activities			
Cash generated from/(used in) operations		9,253	(39,066)
Tax paid		(12,893)	(22,104)
Net cash used in operating activities		(3,640)	(61,170)
Investing activities			
Proceeds on disposal of financial assets measured at FVPL		129,415	256,721
Interest received		2,664	1,685
Proceeds on disposal of property, plant and equipment		251	296
Net cash outflow from disposals of subsidiaries		(686)	(403)
Purchase of financial assets measured at FVPL		(164,048)	(166,469)
Purchases of property, plant and equipment		(2,095)	(2,967)
Purchases of intangible assets		(191)	(1,334)
Net cash (used in)/generated from investing activities		(34,690)	87,529
Financing activities			
Repayment of bank borrowings		–	(20,372)
Purchase of the Company's shares		(4,879)	(1,965)
Capital injection from non-controlling interests		–	490
Dividend paid		(349)	(318)
Interest paid		(89)	(456)
Net cash used in financing activities		(5,317)	(22,621)
Net (decrease)/increase in cash and cash equivalent		(43,647)	3,738
Cash and cash equivalents at 1 January		396,074	495,826
Effects of foreign exchange rate changes		7,779	10,935
Cash and cash equivalents at 30 June		360,206	510,499

The notes on pages 33 to 51 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

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

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 30 August 2023. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). KPMG’s independent review report to the board of directors is included on page 26.

2 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

3 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are property management services, services in the area of green living solutions and value-added services. Further details regarding the Group's principal activities are disclosed in Note 3(b).

For the six months ended 30 June 2023, the Group's customer base is diversified and none of them contributed 10% or more of the Group's revenue during the reporting period.

(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 system installation services, sale of goods, and energy operation services under the service line of green living solutions.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(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 2023 and 2022 is set out below.

For the six months ended 30 June	First Property Management		First Living		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Disaggregated by timing of revenue recognition						
Revenue recognised over time	584,166	517,681	19,289	41,147	603,455	558,828
Revenue recognised at point in time	809	500	1,886	1,593	2,695	2,093
Reportable segment revenue	584,975	518,181	21,175	42,740	606,150	560,921

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities *(Continued)*

For the six months ended 30 June	First Property Management		First Living		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Disaggregated by major products or service lines						
— Property management services	415,602	361,512	—	—	415,602	361,512
— Green living solutions	61,024	61,050	21,175	42,740	82,199	103,790
— Value-added services	108,349	95,619	—	—	108,349	95,619
Reportable segment revenue	584,975	518,181	21,175	42,740	606,150	560,921
Reportable segment profit/(loss)	57,546	33,933	(3,015)	1,803	54,531	35,736
Interest income	2,649	1,312	15	14	2,664	1,326
Interest expense	76	661	89	410	165	1,071
Depreciation and amortisation for the period	4,675	3,895	189	445	4,864	4,340
Expected credit losses — trade and other receivables and contract assets	25,437	19,907	2,524	(285)	27,961	19,622
As at 30 June/31 December						
Reportable segment assets	1,152,421	1,109,977	118,107	129,972	1,270,528	1,239,949
Reportable segment liabilities	653,881	656,892	94,009	103,082	747,890	759,974

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	606,150	560,921
Elimination of inter-segment revenue	(5,952)	(7,738)
Consolidated revenue	600,198	553,183

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Reportable segment profit		
Reportable segment profit	54,531	35,736
Unallocated head office and corporate profit before taxation	648	(2,549)
Elimination of inter-segment balances	109	–
Consolidated profit before taxation	55,288	33,187

	At 30 June	At 31 December
	2023 RMB'000	2022 RMB'000
Assets		
Reportable segment assets	1,270,528	1,239,949
Unallocated head office and corporate assets	500,166	485,383
Elimination of inter-segment balances	(358,614)	(356,023)
Consolidated total assets	1,412,080	1,369,309

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Liabilities		
Reportable segment liabilities	747,890	759,974
Unallocated head office and corporate liabilities	27,662	11
Elimination of inter-segment balances	(56,538)	(65,083)
Consolidated total liabilities	719,014	694,902

4 OTHER INCOME

		Six months ended 30 June	
	Note	2023 RMB'000	2022 RMB'000
Interest income	(i)	2,664	1,685
Government grants	(ii)	6,795	8,628
Net realised gain on financial assets measured at FVPL		448	930
Fair value gain of investment properties		50	21
Net valuation gain on financial assets measured at FVPL		755	104
Net loss on disposal of property, plant and equipment		(17)	(38)
(Loss)/gain on disposal of subsidiaries		(548)	41
Claims and fines		(1,666)	–
Others		(889)	(338)
		7,592	11,033

Notes:

- (i) The interest income primarily represents the interest from cash at bank with fixed interest rates.
- (ii) The government grants represent subsidies from various PRC authorities. There are no unfulfilled conditions or future obligations attached to these subsidies.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Amortisation cost of intangible assets	3,011	2,722
Depreciation charge		
— owned property, plant and equipment	1,853	1,618
Expected credit loss		
— trade and other receivables and contract assets	27,961	19,622
Cost of inventories	820	859
Lease expenses		
— short-term leases	437	1,444

6 INCOME TAX

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the period	16,702	12,149
Deferred tax		
Origination and reversal of temporary differences	(5,840)	(4,107)
	10,862	8,042

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 (six months ended 30 June 2022: Nil).

The Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax (“EIT”) at 25%.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX *(Continued)*

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

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

Pursuant to the notice of the State Council on promulgation of several policies for further encouraging the development of software and integrated circuit industries, a subsidiary has been entitled to 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 six months ended 30 June 2023 is based on the profit attributable to equity shareholders of the Company of RMB36,976,000 (six months ended 30 June 2022: RMB20,708,000) and the weighted average number of 984,597,000 ordinary shares (six months ended 30 June 2022: 994,747,000 ordinary shares) in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2023	2022
	<i>No. of '000 shares</i>	<i>No. of '000 shares</i>
Issued ordinary shares at 1 January	1,000,000	1,000,000
Effect of shares held by the employee share trust	(15,403)	(5,253)
Weighted average number of ordinary shares at 30 June	984,597	994,747

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 2023 and 2022.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables from third parties	492,689	421,464
Less: ECL allowance	(146,529)	(120,179)
	346,160	301,285
Trade receivables from related parties	184,896	178,393
Less: ECL allowance	(68,595)	(65,792)
	116,301	112,601
Total trade receivables	462,461	413,886
Deposits and prepayments	30,301	34,806
Payments on behalf of property owners	28,926	25,432
Value added tax prepaid	8,363	10,441
Other receivables	35,970	34,555
Less: ECL allowance for other receivables	(624)	(624)
Other receivables	35,346	33,931
	565,397	518,496

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

Amounts due from related parties are unsecured and interest free. Details of the amounts due from related parties are set out in Note 14(b).

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

8 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	270,772	256,271
1 to 2 years	109,121	95,804
2 to 3 years	65,239	48,648
3 to 4 years	15,204	11,610
4 to 5 years	2,091	1,518
Over 5 years	34	35
	462,461	413,886

9 CASH AND CASH EQUIVALENTS

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash on hand		157	161
Cash at bank		382,254	420,190
Less: restricted cash	(i)	(22,205)	(24,277)
		360,206	396,074

Note:

- (i) At 30 June 2023, the ending balance of restricted cash primarily represents RMB6,826,000 (31 December 2022: RMB11,668,000) held by employee share trusts for the purchase or subscription of shares as awarded to the eligible persons pursuant to the First Service Share Award Scheme ("the Scheme") (see Note 11(c)), RMB11,797,000 (31 December 2022: RMB5,867,000) consideration for acquisition of a subsidiary saved in an escrow account and RMB3,582,000 (31 December 2022: RMB2,627,000) collected on behalf of the property owners' associations in Group's property management service business. Pursuant to property management agreements, the Group opens and manages these bank accounts on behalf of the property owners' associations.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

10 TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade payables	132,016	130,779
Amounts due to related parties	11,438	13,111
Other taxes and charges payable	25,301	22,578
Dividends payable	27,659	–
Accrued payroll and other benefits	30,941	46,283
Deposits	82,937	75,026
Interest payable	464	388
Other payables and accruals	86,817	80,152
	397,573	368,317

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.

Amounts due to related parties are unsecured and interest free. Details of the amounts due to related parties are set out in Note 14(b).

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 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	91,103	101,730
1 to 2 years	30,538	22,707
2 to 3 years	7,878	4,703
Over 3 years	2,497	1,639
	132,016	130,779

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

During the six months ended 30 June 2023, a final dividend of HKD3.00 cents per share in respect of the year ended 31 December 2022 (six months ended 30 June 2022: HKD6.77 cents per share) was declared to the equity shareholders of the Company. The aggregate amount of the final dividend declared during the six months ended 30 June 2023 amounted to HKD30,000,000 (equivalent to RMB26,798,000) (six months ended 30 June 2022: HKD67,700,000 (equivalent to RMB57,655,000)), which has been fully paid on 18 July 2023.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months 30 June 2022: Nil).

(b) Share capital

	At 30 June 2023		At 31 December 2022	
	No. of shares	RMB	No. of shares	RMB
Ordinary shares, issued and fully paid:				
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	1,000,000,000	1,381	1,000,000,000	1,381

On 21 November 2022, the Company as the purchaser, and Platinum Wish Limited (鉑願有限公司) and View Max Limited (景至有限公司) (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 consideration will be satisfied by the issue and allotment of a total of 264,000,000 ordinary shares of the Company as consideration shares at the issue price of HK\$0.68 per consideration share by the Company to the Vendors pursuant to the specific mandate. As of 30 June 2023, the completion of the acquisition had not taken place and 264,000,000 ordinary shares of the Company as consideration shares had not been issued to the Vendors.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

11 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(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 2023, 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	Lowest price	Aggregate price paid
		paid per share <i>HKD</i>	paid per share <i>HKD</i>	
January 2023	4,397,500	0.60	0.54	2,154
May 2023	1,972,500	0.46	0.45	812
June 2023	3,900,000	0.60	0.47	1,913
				4,879

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 2023 and 2022, no share has been granted and vested.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

12 GOODWILL

RMB'000

Cost:

At 1 January 2022 and 31 December 2022, 1 January 2023 and 30 June 2023 181,696

Accumulated impairment losses:

At 1 January 2022 and 31 December 2022, 1 January 2023 and 30 June 2023 –

Carrying amount:

At 30 June 2023 181,696

At 31 December 2022 181,696

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to operation and operating segment as follows:

	At 30 June 2023 and 31 December 2022 <i>RMB'000</i>
Dalian Yahang Property Management Co., Ltd. (大連亞航物業管理有限公司)	81,458
Qingdao Luohang Enterprises Management Co., Ltd. (青島洛航企業管理有限公司) and its subsidiaries	100,238
	181,696

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 21%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement.

During the reporting period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

	Fair value at 30 June 2023 RMB'000	Fair value measurements as at 30 June 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
<i>Assets:</i>				
— Equity securities designated at FVOCI (non-recycling)	3,854	—	—	3,854
— Financial assets measured at FVPL-due within one year	143,456	—	143,456	—
<i>Liabilities:</i>				
— Contingent consideration	32,907	—	—	32,907

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
<i>Assets:</i>				
— Equity securities designated at FVOCI (non-recycling)	4,165	—	—	4,165
— Financial assets measured at FVPL	107,620	—	107,620	—
<i>Liabilities:</i>				
— Contingent consideration	32,334	—	—	32,334

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of financial assets measured at FVPL is determined based on the estimated amount that the Group would receive to redeem the financial assets at the end of each reporting period. The estimated redeemable amount is calculated based on the most recent transaction price or the daily quotation published by the financial institutions.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average
Equity instruments	Market comparable companies	Discount for lack of marketability	33% (31 December 2022: 42%)
Contingent consideration	Discounted cash flow valuation method	Expected payments, Discount rate	RMB33,700,000 3.65% (31 December 2022: RMB33,700,000 3.65%)

The fair value of the equity instruments is determined by using enterprise value per sales of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2023, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB43,000 (2022: RMB72,000).

The fair value of the contingent consideration relating to the business combinations are determined considering the expected payment, discounted to present value using a risk-adjusted discount rate. As at 30 June 2023, it is estimated that with all other variables held constant, a decrease/increase in discount rate by 0.1% would have decreased/increased the Group's profit by RMB23,000 (2022: RMB26,000).

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

Information about Level 3 fair value measurements (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Equity securities:		
At 1 January	4,165	5,493
Net unrealised losses recognised in other comprehensive income during the period	(311)	(1,328)
At 30 June/31 December	3,854	4,165
Contingent consideration:		
At 1 January	32,334	39,514
Changes in fair value recognised in profit or loss during the period	573	(7,180)
At 30 June/31 December	32,907	32,334
Total gains or losses for the period included in profit or loss and other comprehensive income for assets and liabilities held at the end of the reporting period	(884)	5,852

Any gain or loss arising from the remeasurement of the Group's equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

14 MATERIAL RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

The principal transactions which were carried out in the ordinary course of business are as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Provision of property management services and other services		
— Companies controlled by Mr. Zhang Lei*	5,792	29,453
— Companies controlled by Mr. Zhang Peng*	2,853	2,882
— Companies jointly controlled by Mr. Zhang Lei	5,902	8,078
Receiving services		
— Companies controlled by Mr. Zhang Lei	476	1,028
— Companies controlled by Mr. Zhang Peng	1,368	2,631
— Companies jointly controlled by Mr. Zhang Lei	286	—

(b) Balances with related parties

	Note	At 30 June	At 31 December
		2023 RMB'000	2022 RMB'000
Amounts due from:			
<i>Trade</i>			
— Companies controlled by Mr. Zhang Lei		127,561	122,961
— Companies controlled by Mr. Zhang Peng		7,869	5,300
— Companies jointly controlled by Mr. Zhang Lei		49,465	50,132
	(i), (ii)	184,895	178,393
Amounts due to:			
<i>Trade</i>			
— Companies controlled by Mr. Zhang Lei		4,707	4,218
— Companies controlled by Mr. Zhang Peng		2,794	3,196
— Companies jointly controlled by Mr. Zhang Lei		151	—
<i>Non-trade</i>			
— Companies controlled by Mr. Zhang Peng		3,786	5,697
	(i)	11,438	13,111

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

14 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contract assets:			
— Companies controlled by Mr. Zhang Lei		10,254	11,320
— Companies jointly controlled by Mr. Zhang Lei		13,170	17,444
	(iii)	23,424	28,764
Contract liabilities:			
— Companies controlled by Mr. Zhang Lei		7,700	4,894
— Companies controlled by Mr. Zhang Peng		50	181
— Companies jointly controlled by Mr. Zhang Lei		20	20
		7,770	5,095

* Mr. Zhang Lei is the ultimate controlling shareholder of the Group.

* Mr. Zhang Peng is the chairman of the Group.

Notes:

- (i) Amounts due from/to related parties are unsecured and interest-free, except for the ending balance of payment of a bank loan on behalf of the Group by a company controlled by Mr. Zhang Peng of RMB3,576,000 (31 December 2022: RMB5,750,000) which bears an interest at 4.35% per annum.
- (ii) The outstanding balances with these related parties are trading balances included in "trade and other receivables" (Note 8) against which a lump sum expected credit loss allowance amounted to RMB68,595,000 was provided at 30 June 2023 (31 December 2022: RMB65,792,000).
- (iii) The outstanding balances with these related parties are included in "contract assets" against which a lump sum expected credit loss allowance amounted to RMB9,226,000 was provided at 30 June 2023 (31 December 2022: RMB10,608,000).

Definitions

“Audit Committee”	the audit committee of the Company;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“CG Code”	the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules;
“China” or “PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. “Chinese” shall be construed accordingly;
“Company”, “our Company”, “the Company” or “First Service Holding”	First Service Holding Limited (第一服务控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 20 January 2020, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries;
“Director(s)” or “our Directors”	the director(s) of the Company;
“First Living”	First MOMA Human Environment Technology (Beijing) Co., Ltd. (第一摩碼人居環境科技(北京)有限公司) (formerly known as First MOMA Human Environment Technology (Beijing) Joint Stock Limited Company (第一摩碼人居環境科技(北京)股份有限公司)), a limited liability company established in the PRC on 3 December 2014, and an indirect non-wholly owned subsidiary of our Company;
“GFA”	gross floor area;
“Global Offering”	the Hong Kong public offering and the international offering of the Shares;
“Group”, “our Group”, “we”, “our” or “us”	our Company, its subsidiaries from time to time, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the business operated by such subsidiaries or their predecessors (as the case may be);

Definitions

“Hao Fung”	Hao Fung Investment Limited (皓峰投资有限公司), a BVI business company incorporated in the BVI with limited liability on 18 December 2019;
“HK\$” or “cents”	Hong Kong dollars or cents respectively, the lawful currency of Hong Kong;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“Listing Date”	the date, being 22 October 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
“Liu Pei Qing Management”	Liu Pei Qing Management Limited (刘培庆管理有限公司), a BVI business company incorporated in the BVI with limited liability on 17 December 2019;
“Long Han Management”	Long Han Management Limited (龙晗管理有限公司), a BVI business company incorporated in the BVI with limited liability on 17 December 2019;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
“Prospectus”	the prospectus of the Company dated 12 October 2020;
“Reporting Period”	the six months ended 30 June 2023;
“Renminbi” or “RMB”	the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;

Definitions

“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary shares in the capital of our Company with nominal value of US\$0.0000002 each;
“Share Award Scheme”	the share award scheme adopted by the Board on 10 May 2021;
“Share Option Scheme”	the share option scheme conditionally adopted pursuant to the written resolutions passed by our Shareholders on 25 September 2020;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

In this interim report, the terms “associate”, “controlling shareholder”, “subsidiary”, “substantial shareholder” and “30%-controlled companies” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.