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## **DOWELL SERVICE GROUP CO. LIMITED\***

### **東原仁知城市運營服務集團股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2352)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024**

### **RETROSPECTIVE RESTATEMENT OF FINANCIAL INFORMATION OF THE COMPANY FOR 2023**

The Company acquired approximately 90.73% of equity interests in Shanghai Evergreen on 21 June 2024, and retrospectively restated the financial data of the Company for the year ended 31 December 2023. For details of such acquisition, please refer to the (i) announcements of the Company dated 19 April 2024 and 29 April 2024; and (ii) circular of the Company dated 3 June 2024. Please also refer to notes 1, 2 and 17 of the notes to the condensed consolidated financial statements in this announcement for details.

### **FINANCIAL HIGHLIGHTS**

- The Group's revenue was approximately RMB769.9 million, representing an increase of approximately 5.8% as compared with approximately RMB727.7 million for the corresponding period of 2023.
- The Group's revenue generated from its business segments are as follows:
  - revenue from City Operations Services was approximately RMB462.4 million, accounting for approximately 60.0% of total revenue, representing an increase of approximately 11.8%, as compared with approximately RMB413.5 million for the corresponding period of 2023;
  - revenue from Lifestyle Services was approximately RMB115.5 million, accounting for approximately 15.0% of total revenue, representing a decrease of approximately 1.7%, as compared with approximately RMB117.4 million for the corresponding period of 2023; and

- revenue from FATH and Other Comprehensive Services was approximately RMB192.0 million, accounting for approximately 25.0% of total revenue, representing a decrease of approximately 2.5%, as compared with approximately RMB196.8 million for the corresponding period of 2023.
- Gross profit was approximately RMB125.8 million, representing a decrease of approximately 4.2% as compared with approximately RMB131.2 million for the corresponding period of 2023. Gross profit margin was approximately 16.3%, representing a decrease of approximately 1.7 percentage points from approximately 18.0% for the corresponding period of 2023.
- Profit for the Reporting Period was approximately RMB25.2 million, representing an increase of approximately 1.2% as compared with profit of approximately RMB24.9 million for the corresponding period of 2023. Profit for the Reporting Period attributable to shareholders of the Company was approximately RMB23.9 million, representing a decrease of approximately 2.1% as compared with approximately RMB24.5 million for the corresponding period of 2023.
- The Board recommended the declaration of an Interim Dividend of RMB0.036 per share (tax inclusive) for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of DOWELL SERVICE GROUP CO. LIMITED\* 東原仁知城市運營服務集團股份有限公司(the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the restated comparative figures for the corresponding period of 2023 as follows:

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

For the six months ended 30 June 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated, note 17)
<b>Revenue</b>	5	769,883	727,735
Cost of sales		<u>(644,122)</u>	<u>(596,494)</u>
<b>Gross profit</b>		125,761	131,241
Selling and marketing expenses		(18,254)	(17,450)
Administrative expenses		(79,939)	(84,766)
Net impairment losses on financial assets		(5,513)	(3,463)
Other income		4,138	3,753
Other (losses)/gains – net		<u>(765)</u>	<u>357</u>
<b>Operating profit</b>		25,428	29,672
Finance income		595	435
Finance costs	6	<u>(3,920)</u>	<u>(3,561)</u>
<b>Finance costs – net</b>		(3,325)	(3,126)
Share of results of investments accounted for using the equity method		<u>5,161</u>	<u>3,510</u>
<b>Profit before income tax expense</b>	7	27,264	30,056
Income tax expense	8	<u>(2,060)</u>	<u>(5,143)</u>
<b>Profit and total comprehensive income for the period</b>		<u><u>25,204</u></u>	<u><u>24,913</u></u>
<b>Profit and total comprehensive income for the period attributable to:</b>			
– Owners of the Company		23,943	24,461
– Non-controlling interests		<u>1,261</u>	<u>452</u>
		<u><u>25,204</u></u>	<u><u>24,913</u></u>
<b>Earnings per share</b>			
– Basic and diluted (RMB)	10	<u><u>0.36</u></u>	<u><u>0.37</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Unaudited) (Restated, note 17)
<b>Non-current assets</b>			
Property, plant and equipment	11	54,073	59,814
Right-of-use assets		76,811	76,897
Intangible assets	12	293,266	298,089
Deferred income tax assets		17,806	20,496
Contract costs		13,710	13,984
Long-term prepayments		3,684	4,324
Investments accounted for using the equity method		24,770	20,705
		<u>484,120</u>	<u>494,309</u>
<b>Current assets</b>			
Contract assets		–	1,439
Dividend receivables		9,900	9,900
Trade, bills and other receivables	13	747,278	688,596
Inventories		41,392	43,281
Prepayments		40,420	32,231
Current income tax receivables		1,154	1,735
Restricted cash		919	352
Cash and cash equivalents		133,835	256,597
		<u>974,898</u>	<u>1,034,131</u>
<b>Current liabilities</b>			
Trade payables	15	289,803	300,132
Borrowings		6,500	9,262
Accruals and other payables	15	290,786	293,864
Contract liabilities	16	252,078	295,657
Lease liabilities		17,109	16,760
Financial liabilities at fair value through profit or loss		1,000	1,000
Deferred revenue		824	824
Dividend payable		2,010	–
Current income tax liabilities		3,585	4,646
		<u>863,695</u>	<u>922,145</u>
<b>Net current assets</b>		<u>111,203</u>	<u>111,986</u>
<b>Total assets less current liabilities</b>		<u><u>595,323</u></u>	<u><u>606,295</u></u>

		As at <b>30 June 2024</b> <i>RMB '000</i> <b>(Unaudited)</b>	As at 31 December 2023 <i>RMB '000</i> (Unaudited) (Restated, note 17)
<b>Non-current liabilities</b>			
Lease liabilities		75,024	74,566
Financial liabilities at fair value through profit or loss		1,000	1,000
Deferred revenue		6,451	6,863
Deferred income tax liabilities		12,548	17,000
		<u>95,023</u>	<u>99,429</u>
<b>Net assets</b>		<u><b>500,300</b></u>	<u><b>506,866</b></u>
<b>Capital and reserves</b>			
Share capital	14	66,991	66,991
Reserves		257,111	280,068
Retained earnings		152,372	135,482
		<u>476,474</u>	<u>482,541</u>
Equity attributable to owners of the Company		476,474	482,541
Non-controlling interests		23,826	24,325
		<u>500,300</u>	<u>506,866</u>
<b>Total equity</b>		<u><b>500,300</b></u>	<u><b>506,866</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Dowell Service Group Co. Limited (the “**Company**”) was incorporated in the People’s Republic of China (the “**PRC**”) on 13 January 2015 as a limited liability company. Upon approval by the shareholders’ general meeting held on 13 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name to “DOWELL SERVICE GROUP CO. LIMITED\* (東原仁知城市運營服務集團股份有限公司)” on 30 December 2020. The address of the Company’s registered office and its principal place of business is Room 206, Commercial Building, B-1, No. 108, Baihe Road, Nanping Town, Nan’an District, Chongqing, PRC. Its H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company’s ultimate holding company is Dima Holdings Co., Ltd.\* (“**Dima Holdings**” or “**Dima**”), a company established in the PRC engaging in the real estate industry with its shares listed on the Shanghai Stock Exchange. The immediate holding company of the Company is Tianjin Chengfang Corporate Management Consultant Co. Ltd.\* (“**Tianjin Chengfang**”), a wholly-owned subsidiary of Dima Holdings.

During the six months ended 30 June 2024, the Group acquired 90.73% of the equity interests of Shanghai Evergreen Social Care Enterprise Development Co., Ltd. (“**Shanghai Evergreen**”) from Shanghai Dixuan Industries Co., Ltd. (“**Shanghai Dixuan**”), which is a subsidiary of Dima Holdings. The acquisition was accounted for as business combination under common control (Note 17a).

During the six months ended 30 June 2023, the Group acquired 99% of the equity interests of Shanghai Xuanhai Technology Co., Ltd. (“**Shanghai Xuanhai**”) from Shenzhen Dirui Smart Technology Co., Ltd. (“**Shenzhen Dirui**”), which is a subsidiary of Dima Holdings. The acquisition was accounted for as business combination under common control (Note 17b).

The Company and its subsidiaries (together “**the Group**”) are primarily engaged in the provision of city operation services, lifestyle services, and FATH and other comprehensive services in the PRC.

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These condensed consolidated financial statements were authorised for issue on 22 August 2024.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 December 2023 (the “**2023 Annual Financial Statements**”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2024. Details of changes in accounting policies, and their effect on these condensed consolidated financial statements, are set out in Note 3.

\* *For identification purposes only*

The preparation of these condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. The details are disclosed in Note 4.

These condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated financial statements contain 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 for the six months ended 30 June 2024. These condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2023 Annual Financial Statements.

### **Application of business combination under common control**

On 21 June 2024, the Group acquired 90.73% of the equity interests of Shanghai Evergreen from Shanghai Dixuan, which is a subsidiary of Dima Holdings. The acquisition is considered as a business combination involving entities under common control and has been accounted for by using merger accounting method. As a result, the comparative figures of the condensed consolidated statement of financial position, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows and related notes were restated using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, as if Shanghai Evergreen had been combined with the Group from the earliest date when Shanghai Evergreen first came under the control of Dima Holdings.

## **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost basis. These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2023 Annual Financial Statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2024.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial period beginning on 1 January 2024.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to the Hong Kong Interpretation 5 (Revised)
Amendments to HKAS 1	Non-Current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The new and revised standards, amendments and interpretations that are effective from 1 January 2024 did not have any significant impact on the Group’s accounting policies.

The following amendments to HKAS and HKFRS, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 21	Lack of Exchangeability <sup>1</sup>
Amendments to HKFRS 10 & HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>2</sup> Effective for annual periods beginning on or after date to be determined.

#### **Amendments to HKAS 21 – Lack of Exchangeability**

HKAS 21 Lack of exchangeability require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's condensed consolidated financial statements.

#### **Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the condensed consolidated financial statements.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 Annual Financial Statements.



## 5. REVENUE AND SEGMENT INFORMATION

### Operating segments

The Group was principally engaged in the provision of city operations services, lifestyle services and FATH and other comprehensive services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

### Geographical information

The management determines the Group is domiciled in the PRC, which is the location of the Group's principal office. The geographical location of customers is based on the location at which the services were provided. The Group's revenue from external customers is all derived from the customers located in the PRC and no geographical information is presented.

The geographical location of non-current assets is based on the physical location of the assets. As at 30 June 2024 and 31 December 2023, all of the Group's non-current assets are located in the PRC.

Revenue mainly comprises proceeds from the 3 categories of city operations services, lifestyle services and FATH and other comprehensive services. An analysis of the Group's revenue by category is as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
<b>Revenue from customer and recognised over time</b>		
City operations services	462,384	413,460
Lifestyle services	102,135	98,081
FATH and other comprehensive services	191,776	196,795
	<u>756,295</u>	<u>708,336</u>
<b>Revenue from customer and recognised at point in time</b>		
Lifestyle services	13,395	19,399
FATH and other comprehensive services	193	—
	<u>13,588</u>	<u>19,399</u>
	<u><u>769,883</u></u>	<u><u>727,735</u></u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited) (Restated)
Interest expenses on borrowings	84	34
Interest expenses on factoring arrangements	2	233
Interest expenses on lease liabilities	3,834	3,294
	<u>3,920</u>	<u>3,561</u>

## 7. PROFIT BEFORE INCOME TAX EXPENSE

The Group's operating profit is arrived at after charging/(crediting):

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited) (Restated)
Auditors' remuneration	–	–
Cost of inventories recognised as expenses	–	131
Depreciation charge:		
– Owned property, plant and equipment	9,720	8,391
– Right-of-use assets	7,877	6,608
	<u>17,597</u>	<u>14,999</u>
Provision of impairment loss recognised on trade, bills and other receivables, net	5,513	3,463
Net gains from disposal of property, plant and equipment	(86)	(160)

## 8. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Current tax – PRC Enterprise Income Tax (the “PRC EIT”)	3,822	5,103
Deferred tax	(1,762)	40
Income tax expense	<u>2,060</u>	<u>5,143</u>

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in the PRC is 25%. Certain subsidiaries of the Company located in western cities in the PRC are subject to a preferential income tax rate of 15%. Certain subsidiaries of the Company are small and micro enterprises, and are subject to a preferential tax rate of 20%, with a deemed preferential profit rate.

## 9. DIVIDENDS

An interim dividend of RMB0.036 per share in respect of the six months ended 30 June 2024, amounting to RMB2,412,000 has been proposed by the directors of the Company (Six months ended 30 June 2023: Nil).

The final dividend of RMB0.03 per share in respect of the year ended 31 December 2023, amounting to RMB2,010,000 was declared by the Group and approved on 19 June 2024 by the shareholders at the annual general meeting of the Company.

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) (Restated)
Profit for the period attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share ( <i>RMB'000</i> )	<u>23,943</u>	<u>24,461</u>
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	<u>66,990,867</u>	<u>66,990,867</u>
Basic and diluted earnings per share ( <i>RMB</i> )	<u><u>0.36</u></u>	<u><u>0.37</u></u>

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2024 and 2023.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of RMB4,347,000 during the six months ended 30 June 2024 (Six months ended 30 June 2023: RMB7,065,000) on property, plant and equipment to expand property portfolio and business scale.

## 12. INTANGIBLE ASSETS

	<b>Software</b> <i>RMB'000</i>	<b>Customer relationships</b> <i>RMB'000</i>	<b>Goodwill</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Cost</b>				
As at 1 January 2023 (unaudited) (restated)	13,124	97,105	212,068	322,297
Additions	6,090	–	–	6,090
As at 31 December 2023 and 1 January 2024 (unaudited) (restated)	19,214	97,105	212,068	328,387
Additions	1,917	–	–	1,917
As at 30 June 2024 (unaudited)	<u>21,131</u>	<u>97,105</u>	<u>212,068</u>	<u>330,304</u>
<b>Accumulated amortisation and impairment</b>				
As at 1 January 2023 (unaudited) (restated)	3,489	13,525	–	17,014
Provided for the year	2,177	11,107	–	13,284
As at 31 December 2023 and 1 January 2024 (unaudited) (restated)	5,666	24,632	–	30,298
Provided for the period	1,186	5,554	–	6,740
As at 30 June 2024 (unaudited)	<u>6,852</u>	<u>30,186</u>	<u>–</u>	<u>37,038</u>
<b>Net book value</b>				
As at 30 June 2024 (unaudited)	<u>14,279</u>	<u>66,919</u>	<u>212,068</u>	<u>293,266</u>
As at 31 December 2023 (unaudited) (restated)	<u>13,548</u>	<u>72,473</u>	<u>212,068</u>	<u>298,089</u>

### 13. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Unaudited) (Restated)
<b>Trade and bills receivables</b>		
Trade receivables due from related parties	275,549	305,529
Trade receivables due from third parties	468,938	374,749
Bills receivables due from third parties	142	—
	<u>744,629</u>	<u>680,278</u>
<i>Less:</i> Provision for impairment of trade and bills receivables	<u>(47,378)</u>	<u>(43,477)</u>
	<u>697,251</u>	<u>636,801</u>
<b>Other receivables</b>		
Other receivables due from related parties	5,014	13,147
Other receivables due from third parties		
– Payments on behalf of property owners ( <i>note (i)</i> )	6,055	4,459
– Deposits	23,622	22,260
– Advances to employees	5,990	6,341
– Others	11,045	7,009
	<u>51,726</u>	<u>53,216</u>
<i>Less:</i> Provision for impairment of other receivables	<u>(1,699)</u>	<u>(1,421)</u>
	<u>50,027</u>	<u>51,795</u>
	<u><u>747,278</u></u>	<u><u>688,596</u></u>

The Group has policies in place to ensure that contract assets and trade receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

The carrying amounts of trade, bills and other receivables were primarily denominated in RMB and approximated their fair values due to their short maturity at the reporting date.

*Note: (i) The amounts represented the payments on behalf of property owners in respect utilities costs (mostly) of the properties.*

An ageing analysis of trade and bills receivables, based on the invoice dates, as of 30 June 2024 and 31 December 2023 is as follows:

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Unaudited) (Restated)
Less than 1 year	538,667	419,737
1 to 2 years	164,763	202,985
2 to 3 years	27,209	41,354
Over 3 years	13,990	16,202
	<u>744,629</u>	<u>680,278</u>
<i>Less:</i> Provision for impairment of trade and bills receivables	<u>(47,378)</u>	<u>(43,477)</u>
	<u><u>697,251</u></u>	<u><u>636,801</u></u>

#### 14. SHARE CAPITAL

	At 30 June 2024		At 31 December 2023	
	Number '000	Amount <i>RMB'000</i>	Number '000	Amount <i>RMB'000</i>
Shares				
H Shares of RMB1 each	<u>66,991</u>	<u>66,991</u>	<u>66,991</u>	<u>66,991</u>

#### 15. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Unaudited) (Restated)
<b>Trade payables</b>		
Trade payables due to related parties	8,014	8,510
Trade payables due to third parties		
– Payables for labor costs	216,961	213,126
– Payables for construction costs	14,122	25,739
– Payables for consumables	50,706	52,757
	<u>289,803</u>	<u>300,132</u>

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Unaudited) (Restated)
<b>Accruals and other payables</b>		
Other payables due to related parties		
– Outstanding cash consideration payable for business combinations under common control	14,000	–
– Others	21,868	23,771
Accruals and other payables due to third parties		
– Outstanding cash consideration payable for business combinations	5	5
– Employee benefit payables	55,926	83,712
– Deposits	68,598	57,360
– Temporary receipts from property owners	25,459	27,391
– Other taxes payables	25,210	29,859
– Dividend payable to the original shareholders of the acquired subsidiaries	8,639	6,139
– Cash collected on behalf of property owners	56,341	51,595
– Accrued operating expenses	12,748	11,880
– Others	1,992	2,152
	<u>290,786</u>	<u>293,864</u>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

An ageing analysis of trade payables as at the respective reporting dates, based on the invoice dates, is as follows:

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Unaudited) (Restated)
Less than 1 year	253,288	240,592
1 to 2 years	26,980	37,721
2 to 3 years	5,825	17,347
Above 3 years	3,710	4,472
	<u>289,803</u>	<u>300,132</u>



## 16. CONTRACT LIABILITIES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Unaudited) (Restated)
City operations services	225,030	239,294
Lifestyle services	6,522	36,205
FATH and other comprehensive services	20,526	20,158
	<u>252,078</u>	<u>295,657</u>

## 17. BUSINESS COMBINATION UNDER COMMON CONTROL

### (a) Transactions for the period ended 30 June 2024

On 21 June 2024, the Group acquired 90.73% of the equity interests of Shanghai Evergreen from Shanghai Dixuan, which is a subsidiary of Dima Holdings, at a purchase consideration of RMB28 million.

The acquisition is considered as a business combination involving entities under common control and has been accounted for by using merger accounting method. As a result, the condensed consolidated statement of financial position as at 31 December 2023 and the condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended 30 June 2023 have been restated to include the results of the acquired entity during that period.

The adoption of merger accounting for the six months ended 30 June 2023 has resulted in a decrease in the Group's profit and the total comprehensive income and profit attributable to the owners of the Company for the six months ended 30 June 2023 by RMB8,280,000 and RMB7,519,000 respectively.

The effect of merger accounting restatement described above on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 by line items is as follows:

	<b>Period ended 30 June 2023</b> <i>RMB'000</i> (Unaudited) (Originally presented)	<b>Merger accounting adjustment</b> <i>RMB'000</i>	<b>Period ended 30 June 2023</b> <i>RMB'000</i> (Unaudited)  (Restated)
Revenue	706,403	21,332	727,735
Cost of sales	<u>(578,821)</u>	<u>(17,673)</u>	<u>(596,494)</u>
Gross profit	127,582	3,659	131,241
Selling and marketing expenses	(16,792)	(658)	(17,450)
Administrative expenses	(76,429)	(8,337)	(84,766)
Net impairment losses on financial assets	(3,014)	(449)	(3,463)
Other income	3,022	731	3,753
Other gains – net	<u>283</u>	<u>74</u>	<u>357</u>
<b>Operating profit</b>	34,652	(4,980)	29,672
Finance income	<u>410</u>	<u>25</u>	<u>435</u>
Finance costs	<u>(244)</u>	<u>(3,317)</u>	<u>(3,561)</u>
<b>Finance income/(costs) – net</b>	166	(3,292)	(3,126)
Share of results of investments accounted for using the equity method	<u>3,510</u>	<u>–</u>	<u>3,510</u>
Profit/(loss) before income tax expense	38,328	(8,272)	30,056
Income tax expense	<u>(5,135)</u>	<u>(8)</u>	<u>(5,143)</u>
Profit/(loss) and total comprehensive income for the period	<u><u>33,193</u></u>	<u><u>(8,280)</u></u>	<u><u>24,913</u></u>
Profit and total comprehensive income for the period attributable to:			
Owner of the Company	31,980	(7,519)	24,461
Non-controlling interests	<u>1,213</u>	<u>(761)</u>	<u>452</u>
	<u><u>33,193</u></u>	<u><u>(8,280)</u></u>	<u><u>24,913</u></u>
Earnings per share – Basic and diluted (RMB)	<u><u>0.48</u></u>		<u><u>0.37</u></u>

The effect of merger accounting restatement described above on the condensed consolidation of statement of financial position as at 31 December 2023 by line items is as follows:

	<b>As at 31 December 2023</b> <i>RMB'000</i> (Audited) (Originally presented)	<b>Merger accounting adjustment</b> <i>RMB'000</i>	<b>As at 31 December 2023</b> <i>RMB'000</i> (Unaudited)  (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	30,993	28,821	59,814
Right-of-use assets	15,471	61,426	76,897
Intangible assets	273,498	24,591	298,089
Deferred income tax assets	19,560	936	20,496
Contract costs	13,984	–	13,984
Long-term prepayments	4,324	–	4,324
Investments accounted for using the equity method	20,705	–	20,705
	<u>378,535</u>	<u>115,774</u>	<u>494,309</u>
<b>Current assets</b>			
Contract assets	1,439	–	1,439
Dividend receivables	9,900	–	9,900
Trade, bills and other receivables	674,529	14,067	688,596
Inventories	43,046	235	43,281
Prepayments	30,590	1,641	32,231
Current income tax receivables	1,372	363	1,735
Restricted cash	352	–	352
Cash and cash equivalents	255,368	1,229	256,597
	<u>1,016,596</u>	<u>17,535</u>	<u>1,034,131</u>
<b>Current liabilities</b>			
Trade payables	292,664	7,468	300,132
Borrowings	9,262	–	9,262
Accruals and other payables	280,575	13,289	293,864
Contract liabilities	280,579	15,078	295,657
Lease liabilities	5,967	10,793	16,760
Financial liabilities at fair value through profit or loss	1,000	–	1,000
Deferred revenue	–	824	824
Current income tax liabilities	4,514	132	4,646
	<u>874,561</u>	<u>47,584</u>	<u>922,145</u>
Net current assets	<u>142,035</u>	<u>(30,049)</u>	<u>111,986</u>
Total assets less current liabilities	<u>520,570</u>	<u>85,725</u>	<u>606,295</u>

	<b>As at 31 December 2023</b> <i>RMB'000</i> (Audited) (Originally presented)	<b>Merger accounting adjustment</b> <i>RMB'000</i>	<b>As at 31 December 2023</b> <i>RMB'000</i> (Unaudited)  (Restated)
<b>Non-current liabilities</b>			
Lease liabilities	9,495	65,071	74,566
Financial liabilities at fair value through profit or loss	1,000	–	1,000
Deferred revenue	–	6,863	6,863
Deferred income tax liabilities	16,636	364	17,000
	<u>27,131</u>	<u>72,298</u>	<u>99,429</u>
<b>Net assets</b>	<u><u>493,439</u></u>	<u><u>13,427</u></u>	<u><u>506,866</u></u>
<b>Capital and reserves</b>			
Share capital	66,991	–	66,991
Reserves	229,085	50,983	280,068
Retained earnings	176,206	(40,724)	135,482
	<u>472,282</u>	<u>10,259</u>	<u>482,541</u>
Equity attributable to owners of the Company	472,282	10,259	482,541
Non-controlling interests	21,157	3,168	24,325
	<u>493,439</u>	<u>13,427</u>	<u>506,866</u>
<b>Total equity</b>	<u><u>493,439</u></u>	<u><u>13,427</u></u>	<u><u>506,866</u></u>

**(b) Transactions for the period ended 30 June 2023**

On 31 January 2023, the Group acquired 99% of the equity interests of Shanghai Xuanhai from Shenzhen Dirui, which is a subsidiary of Dima Holdings, at a purchase consideration of RMB1.

The acquisition was considered as a business combination involving entities under common control and had been accounted for by using merger accounting method. The 2023 Annual Financial Statements had been restated to include the results of the acquired entity.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Summary and review for the first half of 2024

In the first half of 2024, in view of a complex and severe external environment and increasingly fierce market competition, the Group, while remaining committed to its traditional areas of strength, developed its characteristic skills by integrating non-residential areas based on comprehensive innovation. By strategically focusing on expanding its presence to new businesses, the Group not only upgraded and iterated its services, but also empowered the development of property enterprises through comprehensive innovations and pushed the industry forward as a whole to thrive. As at 30 June 2024, the Group operated and managed 589 projects in 74 cities in the People’s Republic of China (the “**PRC**”), with an aggregate gross floor area (“**GFA**”) under management of approximately 58.3 million square meters (“**sq.m.**”). As at 30 June 2024, the Group entered into 649 contracted property management projects with contracted GFA of approximately 68.1 million sq.m. in 78 cities.

The Group adheres to the service concept of “For Every Moment of Peace of Mind”, the vision of “becoming a respected urban comprehensive service provider with unique business value”, the development strategy of “Big Property • Full Value”, and the development characteristics of diversified business services. The Group has established its presence in four major areas, namely “comprehensive residential services, international comprehensive services, comprehensive medical services and comprehensive urban services”. The Group provides services in six regions in the PRC, namely Southwestern China region, Southern China region, Western China region, Central China region, Eastern China region and Northern China region, and serves a wide variety of businesses such as residential, high-end commercial and office buildings, governmental buildings, industrial parks, industrial estates, foreign embassies and consulates, hospitals, schools, and urban services. It allows the Group to boast the comprehensive service advantage of parallel development of residential and non-residential business and professional empowerment by the IFM (i.e. Integrated Facility Management). In April 2024, the Group was recognised as one of the “2024 Top 100 Property Management Companies in China” by China Index Academy, and the Group’s ranking in terms of overall strength in the industry increased by one place to 15th, as compared with that of 2023.

#### Business model

The Group is a long-established property management service provider offering comprehensive services for a wide range of property projects in the PRC. The Group provides diversified services through three main business lines:

- (i) property management services to residential and local non-residential properties, including security services, cleaning services, gardening services, facility management services and maintenance services (collectively, the “**City Operation Services**”);

- (ii) lifestyle services, including, among others:
  - (a) organising events for residents and property developers (the “**Community Events Planning Services**”);
  - (b) providing (i) car parking spaces management services, including but not limited to, entry or exit control, cleaning, surveillance and collection of parking fees; and (ii) car parking spaces and property sales services, including but not limited to, providing marketing and sales services for car parking spaces and property located at property projects sourced from Dima Group (as defined below) and Affiliated Companies (as defined below) (including associates of Dima Group) (the “**Management and Agency Services**”);
  - (c) utility maintenance services; and
  - (d) other lifestyle related services  
  
(collectively, the “**Lifestyle Services**”); and
- (iii) services provided to foreign-owned enterprises, foreign embassies, international schools, hospitals and medical facilities, as well as other comprehensive services, including, among others:
  - (a) providing property management services to foreign-owned enterprises, foreign embassies, international schools, hospitals and medical facilities (including security services, cleaning services, facility management services and maintenance services) (the “**Foreign and Medical Related Services**”);
  - (b) assisting in property sales activities, which include visitor reception, cleaning, security inspection, maintenance and other customer-related services (the “**Sales Assistance Services**”);
  - (c) providing advisory services on the overall project design and planning and coordination of pre-sale activities (the “**Preliminary Planning Services**”);
  - (d) digital and intelligent technology services;
  - (e) maintenance and rectification services;
  - (f) provision of comprehensive elderly care services, including medical and health care services in home communities, elderly care institutions, nursing and rehabilitation institutions and specialist institutions (the “**Comprehensive Elderly Care Services**”); and
  - (g) other related comprehensive services  
  
(collectively, the “**FATH and Other Comprehensive Services**”).

The Group believes that its City Operations Services business line serves as the basis for the Group to generate revenue, expand its business scale as well as increase its customer base for its Lifestyle Services and FATH and Other Comprehensive Services. The Group continuously enhances its FATH and Other Comprehensive Services to establish a wide range of service capabilities in order to establish and cultivate business relationships with property developers, which enables the Group to have a competitive advantage in securing engagements for City Operations Services. The comprehensive range of the Group's Lifestyle Services business line helps the Group to enhance its relationship with customers and residents in the property projects that it manages, and thus improve their satisfaction and loyalty. The Directors believe that these three business lines complement each other and will continue to enable the Group to gain greater market share and expand its business presence in the PRC.

## **City Operations Services**

### ***Overview***

The Group manages residential and non-residential properties sourced from Dima Group and Affiliated Companies. In addition, through proactive tender and bidding, and mergers and acquisitions, the Group has been expanding its business scale by increasing the number of residential properties and non-residential properties sourced from Independent Third Parties (as defined below). During the Reporting Period, the Group's revenue from City Operations Services amounted to approximately RMB462.4 million, representing an increase of approximately 11.8%, as compared to the corresponding period of 2023, which is mainly due to the expansion of GFA under management by approximately 7.3% as compared with the same period last year.

### ***Continuous growth in business scale and expansion in property portfolio***

The Group adheres to solidify its market position and expand its property portfolio and business scale through multiple channels, such as organic growth and strategic acquisitions and investment. During the Reporting Period, leveraging the close relationship with Dima Group (as defined below), one of the Company's controlling shareholders, the GFA under management of projects sourced from Dima Group reached approximately 17.5 million sq.m., representing an increase by approximately 11.0% as compared to the same as at 30 June 2023. The GFA under management of projects sourced from Independent Third Parties reached approximately 28.5 million sq.m., representing an increase by approximately 4.8% as compared to the same as at 30 June 2023.

By source of property projects:

The table below sets out the Group's total revenue from City Operation Services during the six months ended 30 June 2023 and 2024, GFA under management and number of projects based on the sources from which the Group obtained the relevant property projects as at 30 June 2023 and 2024:

	Six months ended 30 June 2024		As at 30 June 2024		Six months ended 30 June 2023		As at 30 June 2023	
	Revenue	(%)	Number of projects	GFA under management <sup>(5)</sup>	Revenue (restated)	(%)	Number of projects	GFA under management <sup>(5)</sup>
	(RMB'000)			('000 sq.m.)	(RMB'000)			('000 sq.m.)
Property projects sourced from Dima Group <sup>(1)(2)</sup>	217,204	47.0	106	17,483	196,357	47.5	95	15,754
Property projects sourced from Affiliated Companies <sup>(1)(3)</sup>	25,290	5.4	20	3,909	22,908	5.5	17	3,546
Property projects sourced from Independent Third Parties <sup>(1)(4)</sup>	219,890	47.6	237	28,545	194,195	47.0	195	27,230
Total	<u>462,384</u>	<u>100.0</u>	<u>363</u>	<u>49,937</u>	<u>413,460</u>	<u>100.0</u>	<u>307</u>	<u>46,530</u>

Notes:

- The above breakdown of revenue generated from City Operation Services is based on the sources from which the Group obtained the relevant property projects instead of the sources which the Group derived revenue from. For example, for a property project sourced from Dima Group, the Group may derive income from Dima Group, property owners and property owners' associations at different stages, depending on factors such as whether residential properties have been delivered to property owners and whether property owners' associations have been established.
- Dima Group refers to Dima Holdings Co., Ltd.\* (重慶市迪馬實業股份有限公司) (“**Dima**”) and companies formed by Dima and/or its subsidiary(ies) with other Independent Third Party(ies) (as defined below) which Dima held a controlling interest.
- Affiliated Companies refers to companies that engaged the Group to provide services and are (i) formed by Dima Group (including the Group) and independent third party(ies) in which Dima Group does not hold any controlling interests and are not consolidated entities of Dima Group; and (ii) held directly by Mr. Lo Siu Yu, Chongqing Doyen Holdings Group Co., Ltd.\* (重慶東銀控股集團有限公司), Ms. Chiu Kit Hung and Chongqing Shuorun Petrochemical Company Limited\* (重慶碩潤石化有限責任公司) (other than the Group and Dima Group).
- Independent Third Parties refers to enterprises which are not part of Dima Group or Affiliated Companies, including, among others, third-party developers, property owners' associations and individual property owners.
- This includes GFA where the City Operation Services were provided by entities in which the Group holds non-controlling interests. As at 30 June 2024, the total GFA under management of property projects managed by entities the Group holds non-controlling interests in were approximately 3.7 million sq.m..

\* For identification purposes only



By type of property projects:

The Group manages a diversified portfolio of property projects, consisting of: (i) residential properties; and (ii) non-residential properties, such as office buildings, shopping malls, schools, government facilities, public services facilities and industrial parks.

As at 30 June 2024, the Group's GFA under management of residential properties was approximately 38.7 million sq.m., accounting for approximately 77.5% of the Group's GFA under management of City Operations Services. The share of residential properties in the Group's GFA under management of City Operations Services grew by approximately 5.5% as compared to the same period in 2023.

As at 30 June 2024, the Group's GFA under management of non-residential properties was approximately 11.2 million sq.m., accounting for approximately 22.5% of the Group's GFA under management of City Operations Services. The share of non-residential properties in the Group's GFA under management of City Operations Services decreased by approximately 5.5% as compared to the same period in 2023.

The table below sets out the Group's total revenue from City Operations Services during the six months ended 30 June 2023 and 2024, GFA under management and number of projects as at 30 June 2023 and 2024:

	Six months ended		As at 30 June 2024		Six months ended		As at 30 June 2023	
	30 June 2024		Number of projects	GFA under management	30 June 2023		Number of projects	GFA under management
	Revenue	%			Revenue	%		
	(RMB'000)			('000 sq.m.)	(restated) (RMB'000)			('000 sq.m.)
Residential properties	313,798	67.9	243	38,716	286,394	69.3	208	33,521
Non-residential properties	148,586	32.1	120	11,221	127,066	30.7	99	13,009
Total	<u>462,384</u>	<u>100.0</u>	<u>363</u>	<u>49,937</u>	<u>413,460</u>	<u>100.0</u>	<u>307</u>	<u>46,530</u>

### *Continuous expansion in geographic presence*

By geographic presence:

As at 30 June 2024, the Group operated across China and managed 363 property projects with an aggregated GFA under management of approximately 49.9 million sq.m. in 58 cities in China and were contracted to manage 389 property projects with an aggregated GFA of approximately 58.4 million sq.m. in 63 cities.

The table below sets out the Group's total revenue from City Operations Services during the six months ended 30 June 2023 and 2024, GFA under management and number of projects as at 30 June 2023 and 2024:

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	Revenue (RMB'000)	Number of projects	GFA under management ('000 sq.m.)	Revenue (restated) (RMB'000)	Number of projects	GFA under management ('000 sq.m.)
Chongqing	138,459	89	10,929	119,215	75	9,254
Sichuan Province	91,489	73	10,661	78,954	52	7,604
Hubei Province	68,909	39	8,165	63,501	37	7,629
Shanghai	15,958	12	1,339	17,057	11	1,205
Zhejiang Province	47,495	44	5,831	50,643	42	5,214
Jiangsu Province	14,583	16	2,007	14,724	11	1,788
Hunan Province	40,188	35	4,704	44,041	36	9,729
Others	45,303	55	6,301	25,325	43	4,107
<b>Total</b>	<b>462,384</b>	<b>363</b>	<b>49,937</b>	<b>413,460</b>	<b>307</b>	<b>46,530</b>

### Lifestyle Services

The Group provides Lifestyle Services to property owners and residents under management, which mainly comprise, among others, (i) Community Events Planning Services; (ii) Management and Agency Services; (iii) utility maintenance services; and (iv) other lifestyle related services.

During the Reporting Period, revenue derived from Lifestyle Services accounted for approximately 15.0% of total revenue, representing a decrease of approximately 1.1% as compared with the same period of 2023.

### FATH and Other Comprehensive Services

The Group provides FATH and Other Comprehensive Services, which mainly comprise services to foreign-owned enterprises, foreign embassies, international schools, hospitals and medical facilities, as well as other comprehensive services, which mainly includes, among others, (i) Foreign and Medical Related Services; (ii) Sales Assistance Services; (iii) Preliminary Planning Services; (iv) digital and intelligent technology services; (v) maintenance and rectification services; (vi) Comprehensive Elderly Care Services; and (vii) other related comprehensive services.

The table below sets out the Group's revenue attributable to FATH and Other Comprehensive Services for the six months ended 30 June 2023 and 2024, including the respective GFA under management and number of projects based on each Foreign and Medical Related Services categories and other categories under FATH and Other Comprehensive Services as at 30 June 2023 and 2024:

	Six months ended	As at 30 June 2024		Six months ended	As at 30 June 2023	
	30 June 2024	Number of projects	GFA under management ('000 sq.m.)	30 June 2023	Number of projects	GFA under management ('000 sq.m.)
	Revenue (RMB'000)			Revenue (restated) (RMB'000)		
Comprehensive foreign affairs related services	93,331	180	6,385	81,958	167	4,774
Comprehensive medical related services	38,909	46	1,932	33,514	37	1,710
Comprehensive digital and intelligent technology services	2,833	–	–	5,784	–	–
Comprehensive Elderly Care Services	27,105	–	–	21,332	–	–
Comprehensive consultation management services	29,791	–	–	54,207	–	–
<b>Total</b>	<b>191,969</b>	<b>226</b>	<b>8,317</b>	<b>196,795</b>	<b>204</b>	<b>6,484</b>

As at 30 June 2024, the Group's GFA under management for comprehensive foreign affairs related services was approximately 6.4 million sq.m., and the Group's GFA under management for comprehensive medical related services was approximately 1.9 million sq.m..

During the Reporting Period, revenue derived from comprehensive foreign affairs related services increased by approximately 13.9% to approximately RMB93.3 million as compared to approximately RMB82.0 million in the same period last year, mainly due to the continued expansion of the Group's business, including an increase in (i) the number of property projects provided by the Group; and (ii) the GFA under management during the Reporting Period.

During the Reporting Period, revenue derived from comprehensive medical related services increased by approximately 16.1% to approximately RMB38.9 million as compared to approximately RMB33.5 million in the same period last year, mainly due to the Group's continuous expansion in provision of comprehensive medical related services to hospitals.

During the Reporting Period, revenue derived from comprehensive digital and intelligent technology services decreased by approximately 51.0% to approximately RMB2.8 million as compared to approximately RMB5.8 million in the same period last year, mainly due to (i) completion of the Group's projects relating to digital and intelligent technology services during the Reporting Period; and (ii) a corresponding decrease in such ongoing projects as compared to the same period last year.

During the Reporting Period, revenue derived from Comprehensive Elderly Care Services increased by approximately 27.1% to approximately RMB27.1 million as compared to approximately RMB21.3 million in the same period last year, mainly due to increase in the occupancy rate of the Group's elderly care centres.

During the Reporting Period, revenue derived from comprehensive consultation management services decreased by approximately 45.0% to approximately RMB29.8 million as compared to approximately RMB54.2 million in the same period last year, mainly due to a decrease in the provision of Sales Assistance Services, Preliminary Planning Services, maintenance and rectification services during the Reporting Period due to the completion of relevant business, resulting in a corresponding decrease in revenue derived therefrom.

During the Reporting Period, revenue derived from FATH and Other Comprehensive Services accounted for approximately 25.0% of total revenue, representing a decrease of approximately 2.0% as compared with the same period of 2023.

## **RETROSPECTIVE RESTATEMENT OF FINANCIAL INFORMATION OF THE COMPANY FOR 2023**

The Company acquired approximately 90.73% of equity interests in Shanghai Evergreen Social Care Enterprise Development Co., Ltd.\* (上海常青社康養企業發展有限公司) (“**Shanghai Evergreen**”) on 21 June 2024, and retrospectively restated the financial data of the Company for the year ended 31 December 2023. For details of such acquisition, please refer to the (i) announcements of the Company dated 19 April 2024 and 29 April 2024; and (ii) circular of the Company dated 3 June 2024. Please also refer to notes 1, 2 and 17 of the notes to the condensed consolidated financial statements in this announcement for details.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue was principally derived from property management services in the PRC. During the Reporting Period, the Group's revenue increased by approximately RMB42.2 million or approximately 5.8% to approximately RMB769.9 million from approximately RMB727.7 million as compared with the same period of 2023. The increase in revenue for the Reporting Period was mainly attributable to the continuous expansion of the Group's business.

The table below sets out a breakdown of the Group's total revenue by business lines during the Reporting Period and the corresponding period of 2023:

	<b>Six months ended 30 June</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Revenue</b>	<b>Percentage</b>	<b>Revenue</b>	<b>Percentage</b>
	<b>(RMB'000)</b>	<b>(%)</b>	<b>(restated)</b>	<b>(%)</b>
	<b>(RMB'000)</b>	<b>(%)</b>	<b>(RMB'000)</b>	<b>(%)</b>
City Operation Services	<b>462,384</b>	<b>60.0</b>	413,460	56.9
Lifestyle Services	<b>115,530</b>	<b>15.0</b>	117,480	16.1
FATH and Other Comprehensive Services	<b>191,969</b>	<b>25.0</b>	196,795	27.0
<b>Total</b>	<b><u>769,883</u></b>	<b><u>100.0</u></b>	<b><u>727,735</u></b>	<b><u>100.0</u></b>

### **Cost of sales**

During the Reporting Period, the Group's cost of sales increased by approximately RMB47.6 million or approximately 8.0% to approximately RMB644.1 million from approximately RMB596.5 million as compared with the same period of 2023. The increase was mainly attributable to the increase in the Group's subcontracting costs since the Group outsourced more labour intensive services, such as cleaning and security services.

### **Gross profit**

As a result of the aforementioned key factors, the Group's gross profit decreased by approximately 4.2% from approximately RMB131.2 million for the six months ended 30 June 2023 to approximately RMB125.8 million for the six months ended 30 June 2024. The decrease was mainly attributable to (i) the expansion in the Group's operating scale and ensuring consistent provision of high-quality services to the Group's customers resulting in an increase in the corresponding costs incurred; and (ii) the decrease in the provision of Sales Assistance Services, Preliminary Planning Services and maintenance and rectification services, resulting in a corresponding decrease in gross profit generated therefrom.

The Group's gross profit margin by business lines is set forth below:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
City Operation Services	<b>16.8%</b>	18.9%
Lifestyle Services	<b>19.2%</b>	19.2%
FATH and Other Comprehensive Services	<b>13.6%</b>	15.5%
<b>Overall gross profit margin</b>	<b>16.3%</b>	18.0%

During the Reporting Period, the Group's gross profit margin was approximately 16.3%, representing a decrease of approximately 1.7 percentage points from approximately 18.0% for the six months ended 30 June 2023. The decrease was mainly attributable to the aforementioned reasons resulting in a decrease in gross profit of the Group during the Reporting Period.

The gross profit margin of City Operation Services decreased from approximately 18.9% for the corresponding period in 2023 to approximately 16.8% during the Reporting Period. The decrease was mainly attributable to an increase in operating costs to ensure the consistent provision of quality services to the Group's customers.

The gross profit margin of Lifestyle Services remained stable at approximately 19.2% for the Reporting Period and the corresponding period in 2023.

The gross profit margin of FATH and Other Comprehensive Services decreased from approximately 15.5% for the corresponding period in 2023 to approximately 13.6% during the Reporting Period. The decrease was mainly attributable to the decrease in (i) the number of completed and delivered projects relating to maintenance and rectification services during the Reporting Period as compared to the same period in 2023; and (ii) provision of Preliminary Planning Services during the Reporting Period.

### **Other income**

During the Reporting Period, the Group's other income amounted to approximately RMB4.1 million, representing an increase of approximately 10.3% from approximately RMB3.8 million for the corresponding period in 2023. The increase was primarily due to the increase in receipt of one-off government grants by the Group during the Reporting Period.

### **Other (losses)/gains – net**

During the Reporting Period, the Group recorded other net losses of approximately RMB0.8 million, as compared to other net gains of approximately RMB0.4 million for the corresponding period in 2023. The fluctuation was primarily due to the recognition of a gain from debt relief during the same period in 2023.

### **Selling and marketing expenses**

The Group's selling and marketing expenses primarily consist of promotion expenses and employee benefit expenses. During the Reporting Period, the Group's selling and marketing expenses amounted to approximately RMB18.3 million, representing an increase of approximately 4.6% from approximately RMB17.5 million for the corresponding period in 2023. The increase was primarily due to the continuous growth in the Group's business scale, leading to the corresponding increase in such expenses.

## **Administrative expenses**

During the Reporting Period, the Group's administrative expenses were approximately RMB79.9 million, representing a decrease of approximately 5.7% from approximately RMB84.8 million for the corresponding period in 2023. Such decrease was mainly due to the Company's active implementation of cost reduction and efficiency improvement measures during the Reporting Period.

## **Net impairment losses on finance assets**

The Group's net impairment losses on financial assets primarily included the impairment provisions for losses arising from potential bad debt in respect of trade, bills and other receivables. During the Reporting Period, the Group's net impairment losses on financial assets amounted to approximately RMB5.5 million, as compared to approximately RMB3.5 million for the corresponding period in 2023, which was mainly due to an increase in trade receivables due to the continuous expansion of the Group's business, resulting in an increase in expected credit losses.

## **Finance income/cost – net**

During the Reporting Period, the Group's finance income amounted to approximately RMB0.6 million, representing an increase of approximately 36.8% from approximately RMB0.4 million during the corresponding period in 2023. The increase was mainly due to an increase in the average balance of cash and cash equivalents during the Reporting Period as compared to the same period in 2023.

During the Reporting Period, the Group's finance cost amounted to approximately RMB3.9 million, representing an increase of approximately 10.1% from approximately RMB3.6 million during the corresponding period in 2023. The increase was mainly due to an increase in interest expenses on lease liabilities during the Reporting Period.

## **Profit before income tax expense**

Profit before income tax expense of the Group decreased to approximately RMB27.3 million for the Reporting Period by approximately 9.3% from approximately RMB30.0 million for the corresponding period in 2023. The decrease was mainly due to (i) the decrease in the Group's gross profit during the Reporting Period as mentioned above; and (ii) an increase in expected credit losses as a result of an increase in the amount of trade receivables.

## **Income tax expense**

During the Reporting Period, the Group's income tax expense decreased to approximately RMB2.1 million by approximately 60.0% from approximately RMB5.1 million for the corresponding period in 2023, which was mainly due to a decrease in (i) the Group's profit before income tax expense, resulting in a corresponding decrease in the Group's income tax expense in the PRC; and (ii) the balance of Group's deferred tax liabilities.



## **Intangible assets**

The Group's intangible assets mainly comprised customer relationship and goodwill generated from a number of companies acquired by the Group. As at 30 June 2024, the Group's intangible assets remained stable as compared to the Group's intangible assets as at 31 December 2023.

## **Trade, bills and other receivables**

As at 30 June 2024, the Group's trade, bills and other receivables amounted to approximately RMB747.3 million, representing an increase of approximately 8.5% as compared to approximately RMB688.6 million as at 31 December 2023. In particular, trade and bills receivables amounted to approximately RMB744.6 million, representing an increase of approximately 9.5% as compared to approximately RMB680.3 million as at 31 December 2023. Such increase was primarily due to the continuous growth in the Group's business scale.

## **Contract assets**

The Group's contract assets mainly represents the Group's right to consideration for work performed but unbilled for provision of maintenance and renovation services. As at 30 June 2024, the Group did not have any contract assets as there was no completed projects which were unbilled.

## **Trade payables**

As at 30 June 2024, the Group's trade payables amounted to approximately RMB289.8 million, representing a decrease of approximately 3.4% from approximately RMB300.1 million as at 31 December 2023, mainly due to the optimisation of the Group's business structure resulting in shorter payment terms.

## **Contract liabilities**

The Group's contract liabilities mainly represents the advance payments made by customers while the underlying services, primarily City Operations Services, have yet to be provided and thus the relevant revenue has not been recognised. As at 30 June 2024, the Group's contract liabilities amounted to approximately RMB252.1 million, representing a decrease of approximately 14.7% from RMB295.7 million as at 31 December 2023, which was mainly attributable to the Group's contract liabilities being generally higher as at the end of each year as the Group normally encourages property owners to make advanced payments for City Operations Services to be rendered to them in the coming year in the fourth quarter of current year.



## **LIQUIDITY AND CAPITAL RESOURCES**

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet the funding requirements of the Group in the foreseeable future.

During the Reporting Period, the Group's principal use of the cash was working capital, which was mainly funded from cash flow generated from operations.

As at 30 June 2024, cash and cash equivalents of the Group was approximately RMB133.8 million, as compared with approximately RMB256.6 million as at 31 December 2023.

As at 30 June 2024, the Group's total equity amounted to approximately RMB500.3 million, representing a decrease of approximately 1.3% from approximately RMB506.9 million as at 31 December 2023.

## **CAPITAL MANAGEMENT**

The Group regularly reviews and manages its capital structure to ensure that the Group will be able to continue as a going concern while maximising the return to its Shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Reporting Period.

## **BORROWINGS AND PLEDGE OF ASSETS**

As at 30 June 2024, the Group's borrowings were approximately RMB6.5 million, which had interests rates ranging from 3.35% to 5.5% per annum (as at 31 December 2023: approximately RMB9.3 million). Such borrowings were for the purposes of daily operations of the Group.

As at 30 June 2024, the gearing ratio (defined as total debt divided by total equity) of the Group was approximately 19.7% (approximately 19.8% as at 31 December of 2023).

As at 30 June 2024, the Group did not have any pledge of assets.

## **CONTINGENT LIABILITIES**

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

## **OUTLOOK FOR THE SECOND HALF OF 2024**

In the second half of 2024, the Group will continue to adhere to its corporate development strategy of “Big Property • Full Value”, and remain committed to the long-term sustainable development of its business with living emphasis on the quality of its services. The Group will further strive to enhance beautiful experience. To align with the urban renewal trend and resident’s aspiration for an even better life, the Group will contribute to the development of cities so that they are managed in a more refined, specialised and intelligent manner. The Group is dedicated to “become a respected urban comprehensive service provider with unique business value”.

### **(1) Focus on market-related efforts to establish a refined market system for quality growth**

In terms of market strategy, the Group will upgrade its market research, and implement market development strategies depending upon individual cities and customers. The Group will further improve the ecosystem platform for market expansion, establish an external partnership mechanism, embrace flexible cooperation models, closely monitor changes in market demand and develop a plan of high-quality market development structure.

In terms of capability enhancement, the Group will establish a high quality team comprising capable members who would receive incentives when they satisfactorily pass assessments. Efforts will be made to enhance capabilities of market-related employees in business communication, project negotiation, project exploration and professional analysis related aspects. The Group will introduce selected outstanding market-related talents in the industry, establish a pool of high quality internal and external market-related talents, and optimise their remuneration structure. Business opportunity will be further explored and project channels will be enhanced. In this regard, the Group will create strategies and key channels, whereby two-way interactions between cities and customers will be established. Various systems will be further improved and marketing toolkits will be optimised so as to continuously upgrade the functions of the process of the market customer information system.

In terms of resources integration, the Group will coordinate and synergise the operational resources of various regional and professional business units to complement its respective strengths. Working relationships between regional and professional business units will be strengthened to broaden the market exposure, which will in turn enable the Group to undertake more types of projects going forward. In addition, the Group will strengthen its cooperation with major clients and government platform companies for sustained and quality output.

## **(2) Optimise the operation model to enhance service quality and customer satisfaction**

The Group focuses on the life-cycle needs of people and cities. Customer satisfaction will remain as the main focus of the Group. The Group will continuously upgrade its service quality and provide comprehensive services for its diversified customers in a more detail-oriented, considerate, care and efficient manner.

Driven by its business objectives, the Group will establish a hierarchical project management model, iterate management process measures, optimise the management platform, integrate supplier resources, and conduct the pilot for “highly integrated and collaborative operation” model in order to improve service capacity. The Group will also strengthen the milestone management through the full life cycle of the projects, pay attention to customers’ requests, and improve customer services to ensure opinions of customers are communicated to relevant departments of the Group. Differentiated operation and control measures will be established for different customer bases, businesses’ and customer’s needs so as to enhance brand perception and improve the brand image and customers’ stickiness. The Group will also implement the Amoeba management model in which the Group will, based on the operating scenarios of frontline business units, establish an autonomous operating mechanism so as to enhance operating awareness and stimulate operating vitality.

The Group will continue to enhance the construction of its internal service system through sustained efforts in five areas, including property refurbishment, on-site hardware, customer relationship maintenance, touchpoint services (觸點服務) and community activities. Through community culture and community operation activities such as Buddies Life Festival (老友生活節), Dowell Goodies Day (仁知好物節) and Children’s Dreams and Enjoyment (童夢童享), the Group will enhance in-depth connections with customers, and will create community lifestyle market through providing linkage platform, decoration services, lease and sales services to property owners, such as clothing care, purchasing of daily necessities, maintenance of household appliances, real estate rental and sales. The Group will continue to carry out decentralised and full-coverage research on all customers through its 400 call centres. The Group will implement the peace of mind plan in an orderly manner so that quality customer services are provided regularly and that the community allows residents to enjoy peace of mind, more harmonious neighbourhood and humanistic values.

## **(3) Enhance technological empowerment to facilitate digital transformation**

In view of evolution to new technology such as the Internet, big data, cloud computing, artificial intelligence and other new technologies, the Group is leveraging the Internet of Things as a platform for service product innovation to accelerate its digital and intelligent transformation, with an aim of empowering its services with high-tech intelligent properties.

The Group will market its subsidiary, Shanghai Xuanhai Technology Co., Ltd.\* (上海眩海科技有限公司), as a sub-brand, which will leverage AIoT (i.e. Artificial Intelligence Internet of Things) to empower traditional industries and upgrade industrial intelligence. The sub-brand will develop integrated urban intelligence solutions covering intelligent properties, intelligent communities, intelligent parks and intelligent cities, and provide one-stop integrated services including security management, lifestyle management, traffic management, governmental administration, livelihood management, industrial management and many other urban scenarios, providing a safe, convenient and intelligent future living experience for urban residents, thereby making city life better.

The Group fully embraces artificial intelligence and works closely with iFLYTEK (科大訊飛) and Lark (飛書) to realise various applications based on different business and management scenarios. At the same time, the Group will also comprehensively categorise its data assets and build a new-generation data centre with the aid of big data-related technology to make clear a number of business indicators in different aspects, such as marketing, operations, finance and human resources, which would lay a solid foundation for the Group's overall digital operations and enable the implementation of the Group's strategies.

**(4) Expand business chains related to non-residential businesses to establish differentiated competitive advantages**

The Group will accelerate the development of its non-residential business, and establish a virtual expert panel for its non-residential business to enhance its IFM (i.e. Integrated Facility Management) capabilities. By doing so, the Group aims to explore value-added service opportunities for non-residential projects, which covers, among others, comprehensive services, such as consulting services, inspection and planning, equipment maintenance, engineering renovation, service redevelopment and large-scale intelligent operation and maintenance, in order to provide customers with full-life cycle one-stop service solutions to satisfy a wide variety of customers' needs.

The Group will promote a comprehensive range of at-home elderly care, community-based elderly care, institution-based elderly care and hospital logistics services in the healthcare business development model to provide tailor-made service solutions for customers. In addition to daily property services, the Group will also provide, among others, central delivery management, environment and medical waste management, decontamination, distribution, leasing and sales of medical fabrics, lift guard and medical guide services, patient care centre services and maternal and baby care services, with a view to establishing a demand-oriented integrated service system and one-stop logistics service centre.

Shanghai Evergreen, being a subsidiary of the Company, focuses on providing integrated healthcare services, creating recreational flats for energetic elders and care institutions for nursing elders. Through the sub-brand, the Group will provide a comprehensive solution platform for the elderly population in terms of food, clothing, accommodation and transportation so that they receive satisfactory elderly care services.

## **(5) Strengthen talent development and cultural identity through streamlined and innovative organisational change**

In terms of organisational changes, the Group will promote transition from the organisational management and control model to “platform + market-oriented” model, by altering the (i) functions of the headquarters to the empowerment centre; and (ii) overall organisation from the original ecology to the self-ecological direction with efficient coordination, so as to equip the Group with efficient standardised services and business support capabilities.

In terms of talent development, the Group will develop its talent through the “Original Aspiration Together” (初心薈) and discuss its core business through the “Elite Together” (精英薈) program, and gradually establish and coordinate the development of team projects in order to upgrade personal capabilities to organisational capabilities, while equipping individuals with more capabilities. In addition, the Group will provide its talent with general accessibility to learning resources, such as “Original Voice Program” (原聲計劃) and “Dowell Light Class” (仁仁輕課堂), to broaden internal channels, and create Dowell competency modelling, thus accelerate development of talents.

In terms of cultural identity, the Group will provide guidance and create an atmosphere through “Original Aspiration Together” (初心薈), “Ba Zhang Community” (巴長社群) and “Dowell Community of Knowledge” (仁知圈), and build a cultural communication channel through the Dowell broadcasting account and Lark (飛書) to improve the management awareness of all employees. The Group will also strengthen the link between employees and the organisation through the design and sale of cultural surroundings, increase the proportion of non-residential business in the Dowell yearbook (仁知年刊) and Dowell culture newspaper (仁知文化報) in order to set up a non-residential culture communication system to continuously “break walls”, thus raising the voice of the non-residential culture.

## **USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERING AND OVER-ALLOTMENT OPTION**

The H shares of the Company (the “**H Shares**”) were successfully listed on the Stock Exchange on 29 April 2022 (the “**Listing Date**”) with 16,666,667 new H Shares issued and, upon the partial exercise of over-allotment option, 16,990,867 H Shares were issued in aggregate. Net proceeds from initial public offering and partial exercise of over-allotment option amounted to approximately HK\$139.8 million in total, after deducting the underwriting fees and relevant expenses (the “**Net Proceeds**”). As at 30 June 2024, the Group has used approximately HK\$130.7 million of the Net Proceeds.

As disclosed in the Company’s announcements (the “**UOP Announcements**”) dated 23 June 2022, 23 August 2022 and 13 December 2023 regarding, among others, change in use of Net Proceeds, the Board resolved to alter the timeframe for the use of the Net Proceeds. Please refer to the UOP Announcements for further details. The Board will continuously assess the plan for the use of the Net Proceeds and may revise or amend such plan when necessary to cope with the changing market conditions.

The table below sets out the details of actual usage of the Net Proceeds as at 30 June 2024:

Item	Percentage	Available	Net Proceeds (HK\$ million)		Unused	Remaining balance expected to be fully used by
			Net Proceeds from Listing	Used		
				From the Listing Date and up to 30 June 2024		
Strategic investments, cooperation and acquisition	65.0%	90.9	83.2	0.4	7.7	End of year 2025
Improve service quality and extend service offering	16.5%	23.0	23.0	0	0	N/A
Upgrade and develop intelligent systems	8.5%	11.9	11.9	2.3	0	N/A
General working capital	10.0%	14.0	12.6	0	1.4	N/A
<b>Total</b>	<b>100.0%</b>	<b>139.8</b>	<b>130.7</b>	<b>2.7</b>	<b>9.1</b>	

## MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save for the acquisition of approximately 90.73% of equity interests in Shanghai Evergreen, there were no other material investments, acquisitions or disposal of subsidiaries, associated companies or joint ventures during the Reporting Period. For details regarding the abovementioned acquisition, please refer to the (i) announcements of the Company dated 19 April 2024 and 29 April 2024; and (ii) circular of the Company dated 3 June 2024.

## EXCHANGE RATE RISK

The Group conducts its business in Renminbi and has limited exposure to the foreign exchange risk. However, due to the successful listing of the H Shares on the Stock Exchange in April 2022, any changes in value of Hong Kong dollars (“**HK dollars**”) and the interest rates will affect the performance of the Group. The Group currently does not engage in any hedging activities designed or intended to manage foreign exchange rate risk. The Group will closely monitor the exchange rate risk and interest rate risk concerned, actively explore foreign exchange hedging options with major banks and use financial instruments to hedge against such risks when necessary.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Reporting Period and up to the date of this announcement, there were no significant events affecting the Group.

## EMPLOYEES

As at 30 June 2024, the Group had 5,496 employees (31 December 2023: 5,760 employees). During the Reporting Period, the total staff costs were approximately RMB356.8 million (30 June 2023: approximately RMB355.6 million).

In terms of talent training, the Group will further enhance its employee training program with internal and external resources. The employee training programs primarily cover key areas in the Group's business operations, which provide continuous training to its existing employees at different levels to specialise and strengthen their skill sets.

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to its staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments is paid to employees to reward their contributions. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of its employees, a monthly social insurance funds covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and the housing provident fund, or to contribute regularly to mandatory provident fund schemes on behalf of its employees.

In determining the remuneration and compensation packages of the Directors, supervisors of the Company (the “**Supervisors**”) and senior management, the Group will take into account salaries paid by comparable companies, time commitment and their respective responsibilities and performance of the Group.

## CORPORATE GOVERNANCE

The Board is responsible for performing the corporate governance duties set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 of the Listing Rules. The principal role and function of the Board in relation to corporate governance is to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to formulate, review and monitor the code of conduct applicable to employee and Directors, and to review the Company's compliance with the Code and disclosure in the corporate governance report under the annual report of the Company.

To the knowledge of the Directors, during the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code. The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.



## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code for dealing in securities in the Company by the Directors and Supervisors.

After specific enquiries made to all Directors and Supervisors, the Directors and Supervisors have confirmed compliance with the required standard set out in the Model Code during the Reporting Period.

## **AUDIT COMMITTEE REVIEW**

The Board has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code.

The primary duties of the Audit Committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iii) formulating and reviewing the Company’s policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) formulating, reviewing and monitoring the code of conduct applicable to the employees of the Group and Directors. The Audit Committee consists of three members, including Ms. Luo Shaoying, Mr. Wang Susheng and Mr. Song Deliang. The Audit Committee is chaired by Mr. Song Deliang, an independent non-executive Director who possesses appropriate professional accounting and related financial management expertise. The Audit Committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended 30 June 2024 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company. As at the end of the Reporting Period, neither the Company nor any of its subsidiaries held any treasury shares.

## **INTERIM DIVIDEND**

In view of the business growth of the Group and the support of the Shareholders, the Board recommended the declaration of an interim dividend (“**Interim Dividend**”) of RMB0.036 per share (tax inclusive) for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).



The dividend distribution plan shall be subject to the approval of the Shareholders at the forthcoming extraordinary general meeting to be held on Wednesday, 23 October 2024 (the “EGM”) and such dividend is expected to be paid on or around Monday, 23 December 2024. The Interim Dividend payable to the Shareholders shall be declared in RMB and paid in HK dollars, the exchange rate of which will be calculated based on the average exchange rate of RMB against HK dollars published by the People’s Bank of China seven days prior to the EGM. Upon approval at the EGM, the Interim Dividend will be paid by Monday, 23 December 2024.

The Company established and implemented the dividend policy in 2023: the Company should maintain sufficient cash reserves to meet the demand for funds, future growth and its equity value when recommending or declaring dividends. In addition to the declaration of dividends, the Board should also take into account of the financial performance, cash flow position, business status and strategy, future operation and income, capital demand and expense plan, Shareholders’ benefits, limits on the dividend declaration and any other factors the Board may consider to be relevant. According to the articles of association of the Company, dividends will be denominated and declared in RMB. Dividends on H Shares will be paid in HK dollars. The relevant exchange rate will be calculated based on the average exchange rate of RMB against HK dollars as announced by the People’s Bank of China seven days prior to the date of the EGM at which the dividend declaration was approved.

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing rules which came into effect on 1 January 2008, and amended on 24 February 2017 and 29 December 2018, the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897)(《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the Interim Dividend as enterprise income tax, distribute the Interim Dividend to all non-resident enterprise Shareholders whose names appear on the H Share register of members of the Company, i.e. any Shareholders who hold H Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or Shareholders registered in the name of other organisations and groups on Monday, 28 October 2024. After receiving dividends, the non-resident enterprise Shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement).

After the tax authorities have verified that there is no error, it shall refund the tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement). Pursuant to the Notice on the Issues Regarding Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of H Shares. If the individual holders of H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the relevant tax treaties, the Company may apply, on behalf of such Shareholders and according to the relevant tax treaties, for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2015, No. 60) (《非居民納稅人享受稅收協議待遇管理辦法》(國家稅務總局公告2015年第60號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authorities.

If the individual holders of H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares.

## **RECORD DATE FOR DETERMINING THE RIGHT TO ATTEND THE EGM AND ENTITLEMENT OF THE INTERIM DIVIDEND**

For the purpose of determining the rights to attend and vote at the EGM, the record date will be fixed at the close of business of Tuesday, 15 October 2024. In order to be eligible to attend and vote at the EGM, all transfer documents of the Company accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712– 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 15 October 2024.

For the purpose of determining the entitlement to the proposed Interim Dividend (subject to the approval by the Shareholders at the EGM), the record date will be fixed at the close of business of Monday, 28 October 2024. In order for holders of H Shares to qualify for the proposed Interim Dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 28 October 2024.

## **PUBLICATION OF CIRCULAR**

A circular containing, among other things, (i) information relating to the proposed declaration of Interim Dividend; and (ii) a notice convening the EGM will be published on the Company's website at [www.dowellservice.com](http://www.dowellservice.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) on or before Thursday, 26 September 2024, and will be despatched to the Shareholders as required.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the Company's website at [www.dowellservice.com](http://www.dowellservice.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by Appendix D2 to the Listing Rules will be despatched to the shareholders of the Company as required and available on the said websites in due course.

By order of the Board  
**DOWELL SERVICE GROUP CO. LIMITED\***  
**東原仁知城市運營服務集團股份有限公司**  
**Ms. Luo Shaoying**  
*Chairman and non-executive Director*

Hong Kong, 22 August 2024

*As at the date of this announcement, the Board comprises Mr. Zhang Aiming and Mr. Fan Dong as executive Directors, whom also act as employee Directors, Ms. Luo Shaoying and Ms. Yi Lin as non-executive Directors, and Ms. Cai Ying, Mr. Wang Susheng and Mr. Song Deliang as independent non-executive Directors.*

\* *For identification purposes only*