东原仁知
DOWELL SERVICE

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

1. The Group's revenue was approximately RMB1,342.5 million, representing an increase of approximately 12.5% as compared with approximately RMB1,193.4 million for the year ended 31 December 2021.

2. The Group's revenue generated from its business segments are as follows:

   (a) revenue from property management services was RMB839.8 million, accounting for 62.6% of total revenue, representing an increase of approximately 33.5% as compared with RMB629.0 million for the year ended 31 December 2021;

   (b) revenue from community value-added services was RMB275.0 million, accounting for 20.4% of total revenue, representing a decrease of approximately 4.1% as compared with RMB286.9 million for the year ended 31 December 2021; and

   (c) revenue from value-added services to non-property owners was RMB227.7 million, accounting for 17.0% of total revenue, representing a decrease of approximately 18.0% as compared with RMB277.5 million for the year ended 31 December 2021.

3. Gross profit was approximately RMB275.6 million, representing a decrease of approximately 10.8% as compared with approximately RMB308.9 million for the year ended 31 December 2021. Gross profit margin was approximately 20.5%, representing a decrease of approximately 5.4 percentage points from approximately 25.9% for the year ended 31 December 2021.

4. Profit for the Reporting Period was approximately RMB94.2 million, representing a decrease of approximately 27.8% as compared with profit of approximately RMB130.4 million for the year ended 31 December 2021. Profit for the Reporting Period attributable to shareholders of the Company was approximately RMB90.7 million, representing a decrease of approximately 29.5% as compared with profit attributable to shareholders of approximately RMB128.7 million for the year ended 31 December 2021.

5. As at 31 December 2022, the Group had 541 contracted property management projects and contracted GFA of approximately 65.7 million sq.m., representing an increase of approximately 53.1% as compared with contracted GFA of approximately 42.9 million sq.m. as at 31 December 2021. Such projects included 482 projects under management and GFA under management of approximately 50.6 million sq.m., representing an increase of approximately 79.4% as compared with GFA under management of approximately 28.2 million sq.m. as at 31 December 2021.

6. The Board recommended the declaration of a Final Dividend of RMB0.14 per share (tax inclusive) for the year ended 31 December 2022 (2021: RMB0.80 per share).

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 consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (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 comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*6*	**1,342,459**	1,193,423
Cost of sales		**(1,066,833)**	(884,500)
Gross profit		**275,626**	308,923
Selling and marketing expenses		**(30,872)**	(27,771)
Administrative expenses		**(145,310)**	(139,284)
Net impairment losses on financial assets		**(24,107)**	(3,522)
Other income	*8*	**18,787**	9,554
Other gains/(losses), net	*9*	**9,274**	(315)
Operating profit		**103,398**	147,585
Finance income		**288**	325
Finance costs		**(536)**	(1,033)
Finance costs, net	*10*	**(248)**	(708)
Share of results of investments accounted for using the equity method		**6,931**	7,162
Profit before income tax expense		**110,081**	154,039
Income tax expense	*11*	**(15,920)**	(23,644)
Profit for the year		**94,161**	130,395

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**90,722**	128,720
– Non-controlling interests		**3,439**	1,675
		94,161	130,395
		RMB	*RMB*
Earnings per share			
– Basic	*12*	**1.48**	2.57
– Diluted	*12*	**1.48**	2.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	14	**34,376**	19,579
Right-of-use assets		**8,048**	10,669
Intangible assets	15	**278,077**	114,201
Deferred income tax assets		**13,311**	8,436
Long-term prepayments		**4,216**	2,562
Contract costs		**11,819**	8,653
Investments accounted for using the equity method		**19,774**	24,118
		369,621	188,218
Current assets			
Contract assets		**2,432**	1,301
Dividend receivables		**7,024**	2,580
Trade, bills and other receivables	16	**599,620**	417,860
Inventories		**40,032**	51,823
Prepayments		**21,069**	42,690
Current income tax receivables		**600**	10,373
Restricted cash		**670**	–
Cash and cash equivalents		**220,381**	249,162
		891,828	775,789
Current liabilities			
Trade payables	18	**247,990**	180,793
Accruals and other payables	18	**263,632**	254,642
Contract liabilities		**228,392**	194,632
Lease liabilities		**4,148**	3,854
Dividend payables	13	**–**	45,267
Financial liabilities at fair value through profit or loss		**2,000**	2,000
Current income tax liabilities		**8,162**	5,205
		754,324	686,393
Net current assets		**137,504**	89,396
Total assets less current liabilities		**507,125**	277,614

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities		**4,027**	6,520
Financial liabilities at fair value through profit or loss		**2,000**	4,000
Deferred income tax liabilities		**15,191**	9,042
		21,218	19,562
Net assets		**485,907**	258,052
Capital and reserves			
Share capital	*17*	**66,991**	50,000
Reserves		**212,370**	85,692
Retained earnings		**185,426**	113,530
Equity attributable to owners of the Company		**464,787**	249,222
Non-controlling interests		**21,120**	8,830
Total equity		**485,907**	258,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 address is Room 206, Commercial Building, B-1, No. 108, Baihe Road, Nanping Town, Nan'an District, Chongqing, the PRC.

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.

The Company and its subsidiaries (together the "**Group**") are primarily engaged in the provision of property management services and related value-added services in the PRC.

These consolidated financial statements for the year ended 31 December 2022 are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2023.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs – effective 1 January 2022

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following amendments to HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (revised)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 1, Non-current Liabilities with Covenants

Amendments to HKAS 1 Non-current Liabilities with Covenants clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The 2022 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted.

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 consolidated financial statements.

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 Classification of Liabilities as Current or Non-current clarify the requirements on classifying liabilities as current or non-current. The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 (Revised) was revised to align the corresponding wording with no change in conclusion.

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 consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosures of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/decommissioning liabilities.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 16, Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in HKFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions. The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

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 consolidated financial statements.

3. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the provisions of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**the Listing Rules**").

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Since all of the assets and operations of the Group are located in the PRC, the Historical Financial Information is presented in RMB, which is the Company's functional currency and the Group's presentation currency.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions in preparation of the Group's consolidated financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Allowance on doubtful receivables

The Group makes allowances for receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs for the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade, bills and other receivables and related impairment losses in the periods in which such estimate has been changed.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

(c) Impairment of goodwill and customer relationships (under intangible assets)

The Group tests annually whether goodwill and customer relationships (under intangible assets) has suffered any impairment, in accordance with the accounting policies, where the recoverable amounts of the CGUs is determined based on value-in-use ("**VIU**") calculations. These calculations require the use of estimates.

(d) Estimation of the useful life of customer relationships

Customer relationships identified on respective acquisition dates is recognised as intangible assets (Note 15). Customer relationships primarily related to the existing contracts of acquirees on the acquisition date. The Group estimates the useful life and determines the amortisation period of the customer relationships to be 8 to 10 years based on the expected contract periods (including renewal) for property management services with customers based on the historical renewal pattern and the industry practice.

However, the actual useful life may be shorter or longer than estimate, depending on acquirees' ability to secure its contracts and relationship with property developers or renew the contracts with property owners' associations in the future. Where the actual contract periods are different from the original estimates, such difference will impact the carrying amount of the intangible asset of customer relationships and the amortisation expenses in the periods in which such estimate has been changed.

(e) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

At each reporting date, the Group measures financial liabilities at FVPL.

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable notes.

(f) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic view could result in a change in depreciable lives and residual values and therefore depreciation in the future periods.

(g) Estimated incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(h) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment, and right-of-use assets are tested for impairment when indicators exist. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount being fair value less costs of disposal or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(i) Net realisable value of inventories

The Group's management reviews the inventory aging analysis periodically, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales.

The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items through management's estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest invoice prices and current market conditions. Additional write down of inventories might be necessary when the actual movement in inventories and selling prices is lower than anticipated.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

During the year, the Group is principally engaged in the provision of property management services, community value-added services, and value-added services to non-property owners. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the year.

As at 31 December 2022 and 2021, all of the assets of the Group were located in the PRC.

6. REVENUE

Revenue mainly comprises proceeds from property management services, community value-added services, and value-added services to non-property owners. An analysis of the Group's revenue by category for the years ended 31 December 2022 and 2021 are as follows:

	2022 Revenue *RMB'000*	**2022 Cost of sales** *RMB'000*	2021 Revenue *RMB'000*	2021 Cost of sales *RMB'000*
Revenue from customer and recognised over time				
Property management services	**839,782**	**665,474**	629,028	483,468
Community value-added services	**212,666**	**169,673**	185,716	130,512
Value-added services to non-property owners	**227,634**	**177,146**	249,856	179,551
	1,280,082	**1,012,293**	1,064,600	793,531
Revenue from customer and recognised at point in time				
Community value-added services (i)	**62,286**	**54,469**	101,135	71,071
Value-added services to non-property owners	**91**	**71**	27,688	19,898
	62,377	**54,540**	128,823	90,969
	1,342,459	**1,066,833**	1,193,423	884,500
Revenue recognised on gross basis/net basis:				
Revenue recognised on gross basis	**1,306,871**	**1,044,564**	1,105,965	831,141
Revenue recognised on net basis	**35,588**	**22,269**	87,458	53,359
	1,342,459	**1,066,833**	1,193,423	884,500

For the years ended 31 December 2022 and 2021, revenue from related parties contributed to 18.7% and 31.4% of the Group's revenue, respectively. Other than entities controlled by Dima Holdings and joint ventures and associates of Dima Holdings, none of the customers contributed 10% or more of the Group's revenue during the year.

(i) For the years ended 31 December 2022 and 2021, revenue from sale of car parking spaces which the Group acts as a principal amounted to RMB6,252,000 and RMB10,668,000, respectively.

(a) Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	2022	2021
	RMB'000	*RMB'000*
Contract assets		
– Value-added services to non-property owners	**2,432**	1,301

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities		
– Property management services	**182,769**	140,922
– Community value-added services	**43,111**	49,861
– Value-added services to non-property owners	**2,512**	3,849
	228,392	194,632

(b) Significant changes in contract assets and liabilities

Contract assets of the Group mainly arise from the unbilled work in progress where payment is not due. Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such assets and liabilities increased as a result of the growth of the Group's business.

(c) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– Property management services	**140,922**	97,053
– Community value-added services	**49,861**	15,217
– Value-added services to non-property owners	**3,849**	5,739
	194,632	118,009

(d) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations of pre-delivery services resulting from related fixed-price long-term contracts:

	2022	2021
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term pre-delivery services that are partially or fully unsatisfied	**14,172**	30,342

The maturity date of the unsatisfied performance obligations was analysed as follows and the amount disclosed does not include variable consideration which is constrained.

	2022		**2021**	
	RMB'000		*RMB'000*	
Less than 1 financial year	**12,555**	**89%**	12,981	43%
1 to 2 financial years	**1,411**	**10%**	14,592	48%
2 to 3 financial years	**206**	**1%**	2,769	9%
	14,172		30,342	

For all other property management services and property developer and other value-added services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management services contracts do not have a fixed term.

For community value-added services, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

(e) Contract costs

(i) Assets recognised from incremental costs to obtain contracts

During the year, the Group has recognised assets from incremental costs to obtain long-term property management services contracts, as set out below:

	2022	2021
	RMB'000	*RMB'000*
Asset recognised from incremental costs to obtain a contract	**11,819**	8,653
Amortisation recognised as cost of providing services	**4,472**	2,200

The incremental costs capitalised as assets mainly refers to the commission fees or consulting fees paid for obtaining the contracts. The assets are amortised on a straight-line basis over the terms of the specific contracts the costs relate to, consistent with the pattern of recognition of the associated revenue.

7. EXPENSES BY NATURE

Profit before income tax expense is arrived at after charging the following:

	2022	2021
	RMB'000	*RMB'000*
Employee benefit expenses	**624,354**	492,631
Cleaning costs	**156,566**	148,134
Maintenance costs	**70,078**	78,334
Security costs	**128,098**	103,831
Utilities	**45,945**	37,206
Short-term lease expenses	**11,843**	10,159
Travel and entertainment expenses	**11,414**	14,514
Costs of consumables	**40,088**	42,604
Professional expenses	**19,892**	18,461
Greening and gardening costs	**16,882**	12,821
Cost of selling parking spaces	**6,308**	6,398
Promotion expenses	**9,099**	7,131
Community activity expense	**4,142**	3,561
Depreciation of property, plant and equipment	**12,347**	6,229
Depreciation of right-of-use assets	**4,709**	5,376
Depreciation of investment properties	**–**	98
Other taxes	**4,920**	5,550
Office expenses	**10,064**	8,219
Bank charges	**2,303**	2,144
Auditors' remuneration		
– Audit services	**1,750**	1,100
Amortisation of intangible assets	**9,935**	5,545
Provision for impairment on inventories	**4,775**	–
Other expenses	**47,503**	41,509
	1,243,015	1,051,555

8. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Government subsidies	**18,787**	9,554

Government subsidies represented mainly rewards from local government without attached conditions (2021: mainly rewards and tax refunds from local government without attached conditions).

9. OTHER GAINS/(LOSSES), NET

	2022 *RMB'000*	2021 *RMB'000*
Net losses from disposal of property, plant and equipment	**(240)**	(372)
Net gains from disposal of investment properties	**–**	133
Net gains/(losses) from disposal of right-of-use assets	**6**	(76)
Net exchange difference	**6,350**	–
Gain on re-measurement of previously held equity interest	**3,174**	–
Others	**(16)**	–
	9,274	(315)

10. FINANCE COSTS, NET

	2022 *RMB'000*	2021 *RMB'000*
Finance income:		
– Bank interest income	**288**	325
Finance cost:		
– Interest expenses on bank borrowings	**–**	(174)
– Interest expenses on factoring arrangements	**(97)**	(177)
– Interest expenses on lease liabilities	**(439)**	(682)
	(536)	(1,033)
Finance income/(cost), net	**(248)**	(708)

11. INCOME TAX EXPENSE

	2022 *RMB'000*	2021 *RMB'000*
Current tax – PRC Enterprise Income Tax (the "**PRC EIT**")		
– for the year	**22,157**	21,924
– under-provision in prior year	**1,087**	716
	23,244	22,640
Deferred income tax		
– (credited)/charged for the year	**(7,324)**	1,004
	15,920	23,644

12. EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the year ended 31 December 2022 was based on 50,000,000 ordinary shares of the Company as at 1 January 2022, 16,666,667 ordinary shares of the Company issued under the initial public offering of the Company on 29 April 2022 and the partially exercised over-allotment option with 324,200 additional ordinary shares issued by the Company on 24 May 2022.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the year ended 31 December 2021 was based on 50,000,000 shares of the Company issued throughout the year ended 31 December 2021.

	2022	2021
Profit attributable to owners of the Company *(RMB'000)*	**90,722**	128,720
Weighted average number of ordinary shares in issue *(in thousands)*	**61,475**	50,000
Basic earnings per share for profit attributable to equity owners of the Company during the year *(expressed in RMB per share)*	**1.48**	2.57

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the year.

13. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Dividends	**–**	40,000

The final dividend of RMB0.14 per share in respect of the year ended 31 December 2022 (2021: RMB0.80), amounting to approximately RMB9,379,000 (2021: RMB40,000,000), has been recommended by the Board and will be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

The dividend of RMB40,000,000 declared in 2021 was not paid in 2021. As at 31 December 2021, there was dividend payable of RMB45,267,000.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronic equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2021	643	27,188	2,795	1,602	1,755	33,983
Additions	–	5,496	331	231	4,761	10,819
Disposals/written-off	–	(4,249)	(544)	(157)	(184)	(5,134)
At 31 December 2021	643	28,435	2,582	1,676	6,332	39,668
Additions	–	4,583	331	402	17,883	23,199
Acquired through business combination	–	182	64	4,135	–	4,381
Disposals/written–off	–	(1,076)	(70)	(382)	–	(1,528)
At 31 December 2022	643	32,124	2,907	5,831	24,215	65,720
Depreciation and impairment						
At 1 January 2021	101	14,895	1,871	1,037	418	18,322
Provided for the year	21	4,064	152	155	1,837	6,229
Eliminated on disposals/ written-off	–	(3,790)	(473)	(136)	(63)	(4,462)
At 31 December 2021	122	15,169	1,550	1,056	2,192	20,089
Provided for the year	21	5,211	146	260	6,709	12,347
Eliminated on disposals/ written-off	–	(711)	(51)	(330)	–	(1,092)
At 31 December 2022	143	19,669	1,645	986	8,901	31,344
Carrying values						
At 31 December 2022	500	12,455	1,262	4,845	15,314	34,376
At 31 December 2021	521	13,266	1,032	620	4,140	19,579

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income (Note 7):

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cost of sales	**9,340**	5,269
Administrative expenses	**2,327**	926
Selling and marketing expenses	**680**	34
	12,347	6,229

No property, plant and equipment were restricted or pledged for the Group's borrowings as at 31 December 2022 and 2021.

15. INTANGIBLE ASSETS

	Software *RMB'000*	Customer relationship *RMB'000*	Goodwill *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2021	2,683	39,053	76,729	118,465
Additions	1,639	–	–	1,639
At 31 December 2021	4,322	39,053	76,729	120,104
Additions	4,971	–	–	4,971
Acquired through business combinations	127	56,535	112,178	168,840
At 31 December 2022	9,420	95,588	188,907	293,915
Depreciation and impairment				
At 1 January 2021	156	202	–	358
Provided for the year	699	4,846	–	5,545
At 31 December 2021	855	5,048	–	5,903
Provided for the year	1,825	8,110	–	9,935
At 31 December 2022	2,680	13,158	–	15,838
Carrying values				
At 31 December 2022	**6,740**	**82,430**	**188,907**	**278,077**
At 31 December 2021	3,467	34,005	76,729	114,201

16. TRADE, BILLS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade and bills receivable		
Trade receivable due from related parties	**289,235**	215,347
Trade receivable due from third parties	**309,562**	188,237
Bills receivable due from related parties	**547**	–
	599,344	403,584
Less: provision for impairment of trade receivable	**(34,092)**	(10,710)
	565,252	392,874
Other receivable		
Other receivable due from related parties	**1,427**	819
Other receivable due from third parties		
– Payments on behalf of property owners (i)	**6,319**	6,758
– Deposits	**15,173**	9,388
– Advances to employees	**5,162**	3,635
– Others	**7,281**	4,738
	35,362	25,338
Less: provision for impairment of other receivable	**(994)**	(352)
	34,368	24,986
	599,620	417,860

(i) As at 31 December 2022 and 2021, the amounts represented the payments on behalf of property owners in respect utilities costs (mostly) of the properties.

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**479,386**	344,378
1 to 2 years	**97,200**	47,157
2 to 3 years	**13,979**	6,018
Over 3 years	**8,779**	6,031
	599,344	403,584

The Group's trade, bills and other receivables at respective balance sheet dates were denominated in RMB.

As at 31 December 2022, the Group's maximum exposure to credit risk was the carrying value of each class of trade, bills and other receivables mentioned above less RMB59,090,000 of trade receivables secured by certain of commercial properties pledged by a related party (2021: no commercial properties pledged).

The impairment provision has taken into account the credit quality of the underlying assets, the financial strength of the borrowers as well as collateral and other credit enhancements.

As at 31 December 2022, trade and bills receivables consisted of RMB540,254,000 unsecured (2021: RMB403,584,000) and RMB59,090,000 secured (2021: Nil). The Group has not recognised a loss allowance for trade and bills receivables amounting to RMB59,090,000 (2021: Nil) which are secured by collateral. The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty. As at 31 December 2022, the net carrying amount of trade and bills receivables amounts to RMB565,252,000 (2021: RMB392,874,000). The Group is entitled to sell or repledge collateral when there is default by the customers. There have not been any significant changes in the quality of collateral held for trade and bills receivables. The main type of collateral obtained is the commercial properties located in the PRC.

Management requests additional collateral as appropriate and monitors the market value of collateral during its review of the adequacy of the impairment allowance.

Estimates of the fair value of collateral are based on the market value for the corresponding assets at the time of pledged.

It is the Group's policy to dispose of repossessed properties. The proceeds are used to reduce or repay the outstanding balances. In general, the Group does not retain repossessed properties for business purposes. As at 31 December 2022, the Group did not hold any repossessed properties (2021: Nil).

In respect of the secured trade receivables with the carrying amount of RMB59,090,000 (2021: Nil), the fair value of collateral of such trade receivables can be objectively ascertained to cover the outstanding amount of balances based on market value of collateral.

As at 31 December 2022 and 2021, the fair values of short-term trade and other receivables approximated their carrying amounts due to their short-term maturities.

17. SHARE CAPITAL AND PAID-IN CAPITAL

	At 31 December 2022		At 31 December 2021	
	Number	**Amount**	Number	Amount
	'000	***RMB'000***	*'000*	*RMB'000*
Shares				
Domestic Shares of RMB1 each	**30,510**	**30,510**	30,510	30,510
Unlisted Foreign Shares of RMB1 each	**19,490**	**19,490**	19,490	19,490
H shares of RMB1 each	**16,991**	**16,991**	–	–
	66,991	**66,991**	50,000	50,000

Movements in the issued share capital during the year were as follows:

	Number *'000*	Amount *RMB'000*
As at 1 January 2021, 31 December 2021 and 1 January 2022	50,000	50,000
Issuance of new shares upon listing *(Note (i))*	16,667	16,667
Exercise of the over-allotment option *(Note (ii))*	324	324
As at 31 December 2022	66,991	66,991

Notes:

(i) In connection with the Company's issuance of new shares upon listing, the Company allotted and issued 16,666,667 H shares of RMB1 each ("**H Share**") at a price of HK$11.9 per Share on 28 April 2022 as a result of completion of initial public offering of the Company. The gross proceeds from issuance of new H shares of approximately RMB167,393,000 (equivalent to approximately HK$198,333,000) of which approximately RMB16,666,667 was credited to the Company's share capital, and the remaining balance of approximately RMB150,726,000 before deduction of share issuance expenses, was credited to share premium account. The share premium account can be used for deduction of share issuance expenses.

(ii) On 20 May 2022, over-allotment option in relation to initial public offering of the Company on the Stock Exchange was partially exercised and an aggregate of 324,200 H shares were subsequently allotted and issued at a price of HK$11.9 per share on 24 May 2022 accordingly. The total gross proceeds received by the Company in connection with over-allotment were approximately RMB3,181,000 (equivalent to HK$3,858,000), of which RMB324,200 was credited to the Company's share capital account. The remaining proceeds of RMB2,857,000 were credited to the Company's share premium account.

18. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables		
Trade payables due to related parties	**14,342**	2,884
Trade payables due to third parties		
– Payables for labor costs	**182,074**	139,885
– Payables for construction costs	**25,623**	24,128
– Payables for consumables	**25,951**	13,896
	247,990	180,793
Accruals and other payables		
Accruals and other payables due to related parties	**16,202**	7,924
Accruals and other payables due to third parties		
– Outstanding cash consideration payable for business combinations	**56**	8,943
– Employee benefit payables	**80,313**	77,779
– Deposits	**58,293**	49,410
– Temporary receipts from property owners	**27,818**	30,719
– Other taxes payables	**21,334**	26,287
– Dividend payable to the original shareholders of the acquired subsidiaries	**–**	5,515
– Dividend payable to the non-controlling interest of a subsidiary	**5,386**	–
– Cash collected on behalf of property owners	**45,775**	41,135
– Accrued operating expenses	**7,963**	6,460
– Others	**492**	470
	263,632	254,642

As at 31 December 2022 and 2021, the ageing analysis of the trade payables of the Group based on invoice date was as follows:

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**218,475**	161,345
1 to 2 years	**24,900**	18,314
2 to 3 years	**4,615**	932
Over 3 years	**–**	202
	247,990	180,793

19. BUSINESS COMBINATIONS

(a) During the year ended 31 December 2022, the Group acquired equity interest of two companies owned by independent third parties. The Group's business combinations are detailed as follows:

(i) Zhejiang Zhongdu

On 23 June 2022, the Group acquired 100% of the voting equity instruments of Zhejiang Zhongdu Property Management Co., Ltd.* ("**Zhejiang Zhongdu**"), a company whose principal activity is provision of property management services, including but not limited to housekeeping services, cleaning, washing and disinfection services and construction management services. The principal reason for this acquisition was conducive to integrating the advantages of the Group and Zhejiang Zhongdu, lowering operating costs, improving management efficiency and improving profitability in the overlapped business areas in the future.

	Book value	**Adjustment**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	242	441	683
Intangible assets	–	30,600	30,600
Long-term prepayments	517	–	517
Deferred income tax assets	23	(23)	–
Inventories	147	–	147
Trade and other receivables	13,139	(38)	13,101
Prepayments	1,136	(42)	1,094
Cash	5,749	–	5,749
Trade payables	(2,903)	–	(2,903)
Accruals and other payables	(18,531)	–	(18,531)
Contract liabilities	(11,001)	–	(11,001)
Deferred income tax liabilities	–	(4,621)	(4,621)
Total net assets	(11,482)	26,317	14,835
Fair value of consideration paid			
Cash consideration			79,500
Goodwill			64,665

Acquisition costs of RMB400,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

The main factors leading to the recognition of goodwill is the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition.

The goodwill recognised will not be deductible for tax purposes.

Zhejiang Zhongdu has contributed revenue of RMB61,981,000 and net profit of RMB4,282,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,386,801,000 and group profit for the year would have been RMB95,092,000.

(ii) Hunan Jindian

On 23 June 2022, the Group acquired 80% of the voting equity instruments of Hunan Jindian Property Management Co., Ltd* ("**Hunan Jindian**"), a company whose principal activity is provision of property management services, including but not limited to cleaning washing and disinfection services, furniture installation and maintenance services and computer and office equipment maintenance services. The principal reason for this acquisition was conducive to integrating the advantages of the Group and Hunan Jindian, lowering operating costs, improving management efficiency and improving profitability in the overlapped business areas in the future.

	Book value *RMB'000*	**Adjustment** *RMB'000*	**Fair value** *RMB'000*
Property, plant and equipment	2,906	560	3,466
Intangible assets	–	18,174	18,174
Long-term prepayments	406	–	406
Deferred income tax assets	176	(135)	41
Inventories	15	–	15
Trade and other receivables	14,189	–	14,189
Prepayments	7	(1)	6
Cash and cash equivalents	4,855	–	4,855
Restricted bank balance	630	–	630
Trade payables	(135)	–	(135)
Accruals and other payables	(12,151)	–	(12,151)
Lease liabilities	(413)	–	(413)
Contract liabilities	(471)	–	(471)
Deferred income tax liabilities	–	(2,790)	(2,790)
Total net assets	10,014	15,808	25,822
Less: non-controlling interests			(5,163)
Net assets acquired			20,659
Fair value of consideration paid			
Cash consideration			61,700
Goodwill			41,041

Acquisition costs of RMB320,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

The main factors leading to the recognition of goodwill is the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition.

The goodwill recognised will not be deductible for tax purposes.

Hunan Jindian has contributed revenue of RMB40,550,000 and net profit of RMB6,379,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,372,120,000 and group profit for the year would have been RMB93,861,000.

(iii) Mianyang Ruisheng

On 1 April 2022, Chongqing Xindongyuan Property Management Company Limited*, agreed with a shareholder of Mianyang Ruisheng to obtain a 1% voting right of Mianyang Ruisheng Property Services Company Limited* ("**Mianyang Ruisheng**"), while the equities are retained by that shareholder. Upon completion of the agreement, Chongqing Xindongyuan owned 51% voting right of Mianyang Ruisheng. According to the article of association of Mianyang Ruisheng, shareholder owns over 50% voting right can be able to direct the financial and operating policies of Mianyang Ruisheng and therefore the Directors consider Mianyang Ruisheng has become a subsidiary of the Company.

The principal reason for this acquisition was conducive to integrating the advantages of the Group and Mianyang Ruisheng, lowering operating costs, improving management efficiency and improving profitability in the overlapped business areas in the future.

	Book value RMB'000	Adjustment RMB'000	Fair value RMB'000
Property, plant and equipment	232	–	232
Intangible assets	–	7,760	7,760
Long-term prepayments	1,049	–	1,049
Deferred income tax assets	2	–	2
Inventories	28	–	28
Trade and other receivables	5,040	–	5,040
Cash and cash equivalents	16,252	–	16,252
Trade payables	(1,591)	–	(1,591)
Accruals and other payables	(6,363)	–	(6,363)
Contract liabilities	(9,785)	–	(9,785)
Deferred income tax liabilities	–	(1,164)	(1,164)
Total net assets	4,864	6,596	11,460
Less: non-controlling interests			(5,730)
Net assets acquired			5,730
Fair value of consideration paid			
Cash consideration			–
Carrying amount of previously held equity interest			9,028
Gain on re-measurement of previously held equity interest			3,174
Fair value of previously held equity interest			12,202
Goodwill			6,472

Acquisition costs of RMB45,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

The main factors leading to the recognition of goodwill is the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition.

The goodwill recognised will not be deductible for tax purposes.

Mianyang Ruisheng has contributed revenue of RMB23,116,000 and net profit of RMB3,421,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,348,232,000 and group profit for the year would have been RMB94,412,000.

(b) Net cash outflows arising on the acquisition transactions:

	Zhejiang Zhongdu *RMB'000*	Hunan Jindian *RMB'000*	Mianyang Ruisheng *RMB'000*	Total *RMB'000*
Total cash consideration payable as at 30 June 2022	79,500	61,700	–	141,200
Less: cash consideration payable as at 31 December 2022	–	–	–	–
Cash consideration paid during the year	79,500	61,700	–	141,200
Less: cash and cash equivalents in the subsidiaries acquired	(5,749)	(5,485)	(16,252)	(27,486)
Net cash outflow/(inflow) during the year	73,751	56,215	(16,252)	113,714

20. SUBSEQUENT EVENTS

The Company announced that on 22 February 2023, the Company received the official acceptance letter (the "**Acceptance Letter**") from the China Securities Regulatory Commission ("**CSRC**") "Acceptance Notice of the Application for Administrative Permission from the CSRC" (《中國證監會行政許可申請受理單》) (No. 230198) dated 15 February 2023, pursuant to which the CSRC had accepted the Company's application regarding the implementation of the full circulation of H Shares (the "**Application**"). Pursuant to the Application, the Company has applied for the conversion of 30,510,000 domestic shares of the Company ("**Domestic Shares**") and 19,490,000 unlisted foreign shares of the Company ("**Unlisted Foreign Shares**") into H Shares and listing thereof on the Stock Exchange.

According to the Acceptance Letter, the application materials were complete and the CSRC had accepted and will process the Application. As at the date of the announcement of the Company dated 22 February 2023 ("**Announcement**"), the details of the implementation of the H Share Full Circulation (as defined in the Announcement), and the Conversion and Listing (as defined in the Announcement) have not been finalised, and completion thereof is subject to other relevant procedures required by the CSRC, the Stock Exchange and other relevant onshore and offshore regulatory authorities. The Company will make further announcement(s) on the progress of the H Share Full Circulation, and the Conversion and Listing, when appropriate and in accordance with the requirements of the Listing Rules.

The H Share Full Circulation, and the Conversion and Listing are subject to other relevant procedures as required by the CSRC, the Stock Exchange and other domestic and overseas regulatory authorities.

Except for the subsequent event mentioned above, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary and review for 2022

In 2022, the property management industry experienced multiple pressures and challenges under the adverse impact of the resurgence and stumbling of the COVID-19 pandemic, the downward spiral of the real estate industry and the continuing macroeconomic pressure. The Group proactively responded to the complex and challenging external environment by building sustainable development capabilities with a market-oriented approach to reduce the impact brought by the real estate industry. As at 31 December 2022, the Group operated and managed property projects in 60 cities, with 482 projects under management, representing a year-on-year growth of approximately 48.3%. The gross floor area ("**GFA**") under management increased by approximately 79.4% as compared to the corresponding period in 2021 to approximately 50.6 million square meters ("**sq.m.**"), and the contracted GFA increased by approximately 53.1% as compared to the corresponding period in 2021 to approximately 65.7 million sq.m.

The Group was named as one of the "2022 Top 100 Property Management Companies" by China Index Academy in April 2022, and its industry rankings in terms of overall strength improved by two places to the 18th place as compared with 2021. The Group upholds the service concept of "For Every Moment of Peace of Mind", with a vision to grow into a respected urban renewal service provider with unique business value. The Group adopts the brand development strategy of "Big Property • Full Value" and always upholds the values of "simplicity and trustworthiness, customer orientation, pursuit for excellence, and mutual achievement". With focus on addressing the life-cycle needs of people and cities, it continuously upgrades service quality to satisfy customers and provides detailed, thorough, considerate and efficient property management services and value-added services for diversified customers.

Business model

The Group is a long-established property management service provider offering comprehensive services for a wide range of property projects in the People's Republic of China (the "**PRC**"). The Group provides diversified services through three main business lines:

(i) property management services, including security services, cleaning services, landscaping services, facility management, repair and maintenance services, for:

- residential properties to property developers, property owners and residents; and
- non-residential properties, such as commercial properties, hospitals, governmental buildings and schools, to property owners or enterprises that operate in such premises;

(ii) community value-added services, mainly including:

- car parking spaces management services;
- car parking spaces and property sales services;
- public resources management services;
- property agency services;
- community events planning services;
- utility maintenance services; and
- renovation waste treatment services.

(iii) value-added services to non-property owners, mainly property developers, including, among others:

- sales assistance services;
- maintenance and renovation services;
- pre-delivery consultancy and inspection services; and
- additional tailored services.

The Group believes that its property management service 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 community value-added services and value-added services to non-property owners. The Group's value-added services to non-property owners allow the Group to gain early access to property projects and establish and cultivate business relationships with property developers, which enables the Group having a competitive advantage in securing engagements for property management services. The comprehensive range of the Group's community value-added 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.

Property management services

Overview

The Group manages residential and non-residential properties sourced from Dima Group (as defined below) and Affiliated Companies (as defined below). 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 property management services amounted to approximately RMB839.8 million, representing an increase of approximately 33.5%, as compared to the corresponding period of 2021, which is mainly due to (i) the expansion of GFA under management by approximately 79.4% as compared with the same of last year; and (ii) the Acquisitions (as defined below).

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, one of the Company's controlling shareholders, the GFA under management of projects sourced from Dima Group reached approximately 15.4 million sq.m., representing an increase by approximately 24.2% as compared to the same as at 31 December 2021. In addition, the Group successfully acquired two companies which engage in both residential and non-residential property management services, whereby the property projects under management are sourced from Independent Third Parties. For further details, please refer to the paragraph headed "Material investments, acquisitions and disposals" below. Thus, the GFA under management of projects sourced from Independent Third Parties reached approximately 32.0 million sq.m., representing an increase by approximately 126.6% as compared to the same as at 31 December 2021.

By source of property projects:

The table below sets out the Group's total revenue from property management services during the two years ended 31 December 2022, and GFA under management and number of projects based on the sources from which the Group obtained the relevant property projects as at 31 December 2021 and 2022.

	Year ended 31 December 2022		**As at 31 December 2022**		Year ended 31 December 2021		As at 31 December 2021	
	Revenue *(RMB'000)*	**(%)**	**Number of projects**	**GFA under management[5]** *('000 sq.m.)*	Revenue *(RMB'000)*	(%)	Number of projects	GFA under management[5] *('000 sq.m.)*
Property projects sourced from Dima Group[(1)(2)]	**371,230**	**44.2**	**90**	**15,371**	325,847	51.8	73	12,372
Property projects sourced from Affiliated Companies[(1)(3)]	**41,425**	**4.9**	**17**	**3,243**	35,536	5.6	10	1,719
Property projects sourced from Independent Third Parties[(1)(4)]	**427,127**	**50.9**	**375**	**31,959**	267,645	42.6	242	14,104
Total	**839,782**	**100.0**	**482**	**50,573**	629,028	100.0	325	28,195

Notes:

1. The above breakdown of revenue generated from the provision of property management 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.

2. 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.

3. 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. Zhao Jiehong 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).

4. 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.

5. This includes GFA where the property management services were provided by joint ventures and/or associate companies of the Group. As at 31 December 2022, the total GFA under management of property projects managed by joint ventures and/or associate companies of the Group were approximately 2.0 million sq.m..

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, foreign embassies in China, industrial parks and hospitals.

As at 31 December 2022, the Group's GFA under management of residential properties was approximately 32.0 million sq.m, accounting for approximately 63.2% of the Group's GFA under management. The share of residential properties in the Group's GFA under management decreased by approximately 9.5% as compared to the same period in 2021.

As at 31 December 2022, the Group's GFA under management of non-residential properties was approximately 18.6 million sq.m, accounting for approximately 36.8% of the Group's GFA under management. The share of non-residential properties in the Group's GFA under management grew by approximately 9.5% as compared to the same period in 2021.

The table below sets forth the Group's total revenue from property management services during the two years ended 31 December 2022, and GFA under management and number of projects as at 31 December 2021 and 2022:

	Year ended 31 December 2022		**As at 31 December 2022**		Year ended 31 December 2021		As at 31 December 2021	
	Revenue	**%**	**Number of projects**	**GFA under management**	Revenue	%	Number of projects	GFA under management
	(RMB'000)			***('000 sq.m.)***	*(RMB'000)*			*('000 sq.m.)*
Residential properties	**505,139**	**60.2**	**193**	**31,985**	366,442	58.3	133	20,512
Non-residential properties	**334,643**	**39.8**	**289**	**18,588**	262,586	41.7	192	7,683
Total	**839,782**	**100.0**	**482**	**50,573**	629,028	100.0	325	28,195

Continuous expansion in geographic presence

By geographic presence:

As at 31 December 2022, the Group operated across China and managed 482 property projects with an aggregated GFA under management of approximately 50.6 million sq.m. in 60 cities in China and were contracted to manage 541 property projects with an aggregated GFA of approximately 65.7 million sq.m. in 69 cities.

The table below sets out the Group's total revenue from property management services during the two years ended 31 December 2022, and GFA under management and number of projects as at 31 December 2021 and 2022:

	Year ended 31 December 2022	**As at 31 December 2022**		Year ended 31 December 2021	As at 31 December 2021	
	Revenue	**Number of projects**	**GFA under management**	Revenue	Number of projects	GFA under management
	(RMB'000)		***('000 sq.m.)***	*(RMB'000)*		*('000 sq.m.)*
Chongqing	**195,278**	**70**	**8,740**	188,228	68	7,213
Sichuan Province	**134,300**	**54**	**7,521**	97,989	39	6,308
Hubei Province	**112,292**	**31**	**7,447**	84,368	23	4,023
Shanghai	**92,059**	**59**	**2,550**	75,124	44	2,274
Zhejiang Province	**76,844**	**53**	**5,634**	23,504	19	3,007
Jiangsu Province	**56,598**	**48**	**3,322**	47,404	36	2,432
Beijing	**56,401**	**39**	**1,020**	50,644	33	302
Others	**116,010**	**128**	**14,339**	61,767	63	2,636
Total	**839,782**	**482**	**50,573**	629,028	325	28,195

Community value-added services

The Group provides community value-added services to property owners and residents under management, which mainly comprise (i) car parking spaces management services; (ii) car parking spaces and property sales services; (iii) public resources management services; (iv) property agency services; (v) community events planning services; (vi) utility maintenance services; and (vii) renovation waste treatment services.

During the Reporting Period, revenue derived from community value-added services decreased by approximately 4.1% to approximately RMB275.0 million as compared to about RMB286.9 million in the same period last year, mainly due to (i) the frequent occurrence and spread of the COVID-19 pandemic in the PRC during the Reporting Period, resulting in the implementation of COVID-19 pandemic control measures in some cities in the PRC, which restricted the movement of people in the PRC, thus adversely impacting the Group's provision of community value-added services; and (ii) the decrease in revenue of the Group's car parking spaces sales services and property agency services due to the downturn in the PRC real estate industry during the Reporting Period. During the Reporting Period, revenue derived from community value-added services accounted for approximately 20.4% of total revenue, representing a decrease of about 3.6% as compared with the same period of 2021.

Value-added services to non-property owners

The Group provides value-added services to non-property owners, which mainly comprise (i) sales assistance services; (ii) maintenance and renovation services; (iii) pre-delivery consultancy and inspection services; and (iv) additional tailored services.

During the Reporting Period, revenue derived from value-added services to non-property owners decreased by approximately 17.9% to approximately RMB227.7 million as compared to about RMB277.5 million in the same period last year, mainly due to (i) the episodic re-occurrence and outbreak of the COVID-19 pandemic in the PRC, resulting in the implementation of COVID-19 pandemic control measures in some cities in the PRC, which restricted the movement of people in the PRC, thus (a) restricting the commencement of some of the Group's sales assistance services projects; and (b) delayed the progress of the Group's maintenance and renovation services, leading to the corresponding decrease in revenue; and (ii) the reduction in the number of projects in respect of the Group's sales assistance services and pre-delivery consultancy services resulting in a corresponding decrease in revenue. During the Reporting Period, revenue derived from value-added services to non-property owners accounted for approximately 17.0% of total revenue, representing a decrease of about 6.3% as compared with the same period of 2021.

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 RMB149.0 million or approximately 12.5% to approximately RMB1,342.5 million from approximately RMB1,193.4 million for the year ended 31 December 2021. The increase in revenue for the Reporting Period was mainly attributable to the Group's expansion in its property management segment.

The table below sets out a breakdown of the Group's total revenue by business lines during the two years ended 31 December 2022:

	Year ended 31 December			
	2022		2021	
	Revenue *(RMB'000)*	**Percentage *(%)***	Revenue *(RMB'000)*	Percentage *(%)*
Property management services	839,782	62.6	629,028	52.7
Community value-added services	274,952	20.4	286,851	24.0
Value-added services to non-property owners	227,725	17.0	277,544	23.3
Total	1,342,459	100.0	1,193,423	100.0

COST OF SALES AND SERVICES

During the Reporting Period, the Group's cost of sales and services increased by approximately RMB182.3 million or approximately 20.6% to approximately RMB1,066.8 million from approximately RMB884.5 million for the year ended 31 December 2021. The increase was mainly attributable to (i) the continuous expansion in the Group's property management projects and contracted GFA, resulting in an increase in the number of employees and corresponding employee benefit expenses; and (ii) the increase in the Group's subcontracting costs as a result of the increased outsourcing of 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 10.8% from approximately RMB308.9 million for the year ended 31 December 2021 to approximately RMB275.6 million for the year ended 31 December 2022.

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

	Year ended 31 December	
	2022	2021
Property management services	**20.8%**	23.1%
Community value-added services	**18.5%**	29.7%
Value-added services to non-property owners	**22.2%**	28.1%
Overall gross profit margin	**20.5%**	25.9%

During the Reporting Period, the Group's gross profit margin was approximately 20.5%, representing a decrease of approximately 5.4 percentage points from approximately 25.9% for the year ended 31 December 2021. The decrease was mainly attributable to the aforementioned impact from the frequent occurrence and spread of the COVID-19 pandemic in the PRC and the downturn in the PRC real estate industry, which adversely affected the Group's services with higher gross profit margin, including sales assistance services, and pre-delivery consultancy services.

The gross profit margin of property management services was approximately 20.8%, representing a decrease from approximately 23.1% for the year ended 31 December 2021. The decrease was mainly attributable to (i) the frequent occurrence and spread of the COVID-19 pandemic in the PRC, resulting in the increased cost in relation to the prevention of COVID-19; and (ii) higher upfront costs of newly acquired property management projects.

The gross profit margin of community value-added services was approximately 18.5%, representing a decrease from approximately 29.7% for the year ended 31 December 2021. The decrease was mainly attributable to the aforementioned impact from the frequent occurrence and spread of the COVID-19 pandemic in the PRC and the downturn in the PRC real estate industry, causing the property agency services and other services provided to property and non-property owners that have a higher gross margin to decline, resulting in the decrease in overall gross profit margin of community value-added services.

The gross profit margin of value-added services to non-property owners was approximately 22.2%, representing a decrease from approximately 28.1% for the year ended 31 December 2021. The decrease was mainly attributable to (i) the frequent occurrence and spread of the COVID-19 pandemic in the PRC, which restricted the movement of people in the PRC, thus (a) restricting the commencement of some of the Group's sales assistance services projects; and (b) delayed the progress of the Group's maintenance and renovation services, leading to the corresponding decrease in revenue and gross profit margin; and (ii) the reduction in sales assistance services, and pre-delivery consultancy services resulting in a corresponding decrease in revenue due to the downturn in the PRC real estate industry.

OTHER INCOME

During the Reporting Period, the Group's other income amounted to approximately RMB18.8 million, representing an increase of approximately 95.8% from approximately RMB9.6 million for the year ended 31 December 2021. The increase was primarily due to the receipt of a listing incentive subsidy, which was granted by the Chongqing local government during the Reporting Period.

OTHER NET GAINS AND LOSSES

During the Reporting Period, the Group recorded other net gains of approximately RMB9.3 million, as compared to other net losses of approximately RMB0.3 million for the year ended 31 December 2021. The other net gains of the Group during the Reporting Period arose mainly from foreign exchange rate gains derived from HK dollars held by the Group and gain on re-measurement of previously held equity interest.

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 increased to approximately RMB30.9 million, as compared to approximately RMB27.8 million for the year ended 31 December 2021. Such increase was due to (i) the Group's increasing effort in sourcing property projects from Independent Third Parties; and (ii) an increase in relevant marketing staff costs and business development expenses.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB145.3 million, representing an increase of approximately 4.3% from approximately RMB139.3 million for the year ended 31 December 2021. The increase was mainly because of (i) an increase in the Group's intangible assets and corresponding depreciation costs; and (ii) intermediary service fees paid after the successful listing of the H Shares on the Stock Exchange in April 2022.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The Group's net impairment losses on financial assets primarily included the impairment provisions for losses arising from potential bad debts and bad debts written off in respect of trade, bills and other receivables. During the Reporting Period, the Group's net impairment losses on financial assets amounted to approximately RMB24.1 million, as compared to approximately RMB3.5 million for the year ended 31 December 2021, which was mainly due to the (i) increased trade receivables as a result of the increase in operation scale; and (ii) increase in the Group's impairment allowance on receivables as at 31 December 2022 due to the overall downturn in the real estate industry and the impact of the COVID-19 pandemic.

FINANCE INCOME/COST

During the Reporting Period, the Group's finance cost amounted to approximately RMB0.5 million, representing a decrease of approximately 50.0% from approximately RMB1.0 million for the year ended 31 December 2021. The decrease was mainly due to the decrease in interest expenses on lease liabilities and the repayment of bank borrowings during the Reporting Period. During the Reporting Period, the Group's finance income remained stable at approximately RMB0.3 million as compared with the same for the year ended 31 December 2021. As at 31 December 2022, the Group had no bank or other borrowings (31 December 2021: nil).

PROFIT BEFORE TAX

Profit before tax of the Group decreased to approximately RMB110.1 million for the Reporting Period by approximately 28.5% from approximately RMB154.0 million for the year ended 31 December 2021. The decrease was mainly due to (i) the aforementioned impact from the frequent occurrence and spread of the COVID-19 pandemic in the PRC and the downturn in the PRC real estate industry which hindered the revenue and gross profit of the community value added services and value-added services to non-property owners segments; and (ii) the aforementioned increase in impairment losses on financial assets.

INCOME TAX EXPENSE

During the Reporting Period, the Group's income tax expense decreased to approximately RMB15.9 million by approximately 32.6% from approximately RMB23.6 million for the year ended 31 December 2021, which was mainly due to the decrease in the Group's profit before tax, causing a corresponding decrease in the Group's income tax expense in the PRC.

INTANGIBLE ASSETS

The Group's intangible assets mainly comprised customer relationship and goodwill generated from a number of companies acquired by the Group during the Reporting Period. As at 31 December 2022, the Group's intangible assets were approximately RMB278.1 million, representing an increase of approximately 143.5% as compared to approximately RMB114.2 million as at 31 December 2021, primarily due to the goodwill and customer relationships generated from business combinations during the Reporting Period.

TRADE, BILLS AND OTHER RECEIVABLES

As at 31 December 2022, the Group's trade and bills receivables (less provision for impairment of trade receivables) amounted to approximately RMB565.3 million, representing an increase of approximately 43.9% as compared to approximately RMB392.9 million as at 31 December 2021. In particular, trade and bills receivables amounted to RMB599.3 million, representing an increase of approximately 48.5% as compared to approximately RMB403.6 million as at 31 December 2021, primarily due to (i) the increase in the Group's operation scale and the increase in the number of property projects managed by the Group; (ii) the trade receivables balance consolidated to the Group after the Acquisitions (as defined below); and (iii) the sluggish repayment rate by the customers due to the adverse effect of the COVID-19 pandemic and the downturn in the PRC property industry. As at 31 December 2022, other receivables (less provision for impairment of other receivables) amounted to approximately RMB34.4 million, representing an increase of approximately 37.6% as compared to approximately RMB25.0 million as at 31 December 2021. Such increase was primarily due to the expansion of the operation scale of the Group, resulting in the increase in deposits receivable by the Group.

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 31 December 2022, the Group's contract assets amounted to approximately RMB2.4 million, representing an increase of approximately 86.9% from RMB1.3 million as at 31 December 2021, which was mainly due to the increase in unbilled payments from the Group's provision of maintenance and renovation services to its customers.

TRADE PAYABLES

As at 31 December 2022, the Group's trade payables amounted to approximately RMB248.0 million, representing a year-on-year increase of approximately 37.2% from approximately RMB180.8 million as at 31 December 2021, mainly due to the (i) the expansion of the Group's business; and (ii) the increase in the Group's subcontracting costs as a result of the increased outsourcing of some of the Group's services to third parties in order to optimise its operational efficiency.

CONTRACT LIABILITIES

The Group's contract liabilities mainly represents the advance payments made by customers while the underlying services, primarily property management fees, have yet to be provided and thus the relevant revenue has not been recognised. As at 31 December 2022, the Group's contract liabilities amounted to approximately RMB228.4 million, representing an increase of approximately 17.3% from RMB194.6 million as at 31 December 2021, which was mainly due to (i) the expansion of the Group's business; and (ii) an increase in the number of customers who paid property management fees in advance.

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 be met 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 and deposits for acquisition of subsidiaries, which was mainly funded from cash flow generated from operations and proceeds raised from the Company's initial public offering and over-allotment option.

As at 31 December 2022, cash and cash equivalents of the Group was approximately RMB220.4 million, as compared with approximately RMB249.2 million as at 31 December 2021.

As at 31 December 2022, the Group's total equity amounted to approximately RMB485.9 million, representing an increase of 88.3% from RMB258.1 million as at 31 December 2021, which was mainly due to the funds raised from successful listing of the H Shares.

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.

At the end of the Reporting Period, the gearing ratio (defined as total debt divided by total equity) of the Group was decreased to approximately 1.7% from approximately 4.0% at 31 December of 2021.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2022, the Group did not have any outstanding borrowings or pledge of assets.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

CAPITAL COMMITMENTS

As at 31 December 2022, the Company had no capital commitments.

OUTLOOK FOR 2023

In 2023, the Group will adhere to the corporate development strategy of "Big Property • Full Value" and render quality services to meet customer needs, committed to becoming a respected urban renewal service provider with unique business value.

(1) Continue to enhance the Group's capabilities in the market and expand its business portfolio and scale of operations;

In terms of market strategy, the Group will adhere to its urban development strategy, increase its project density, and further explore cities with development potential. The Group will optimise the quality of its outreach projects to increase revenue as well as profit.

In terms of enhancing the capability of the Group, leveraging on the market-oriented transformation, the Group will establish a market-oriented organisational talent system, training system and incentive mechanism. The Group will continue to improve its Customer Relations Management (CRM) System, track and manage the entire market expansion process by utilising customer management, business opportunity follow-up, project establishment, contract signing results, performance reports, billboard and other functions.

The Group will focus on expanding its business in three ways, namely, (i) full commissioning; (ii) mergers and acquisitions; and (iii) joint venture cooperations. Such expansion will be supplemented by the provision of advisory services, specific services and strategic cooperation, in order to attain continuous innovation. Meanwhile, the Group will keep an eye on the opportunities arising from the improvement of the urban governance system, such as opportunities arising from the reform of State-owned enterprises, including sanitation and greening, infrastructure operation and maintenance, and public space operation.

(2) Continue to improve the Group's brand awareness, service quality and customer satisfaction;

With focus on addressing the life-cycle needs of people and cities, the Group continuously improves its service quality to satisfy customers' needs and provides detailed, thorough, considerate and efficient property management services and value-added services for diversified customers.

The Group will maintain its strengths in residential service quality, and improve and establish its non-residential service system at the same time to achieve coordinated management and control. The Group will also restructure its service quality system 3.0, taking into account multiple property types and all product lines, so as to be a well-organised property management service provider. The Group will continuously promote "YOU Butler (原管家) 3.0" program and refresh its capability models and salary ranking system, to advocate "more work for more ability and more pay for more work". By making the abovementioned fine tunes, the Group will continue to optimise work efficiency and customer experience. The Group will launch a customer grading system to enhance customer stickiness and ensure high level of satisfaction through accurate customer classification.

(3) Continue to invest in technology empowerment to further enhance the Group's competitiveness and operating efficiency;

The Group will continue to enhance its technological capabilities, invest more in product research and development, continue to improve its digital operations, and upgrade its business systems while optimising system operation and maintenance costs. For example, the Group will further develop a procurement system to achieve an integrated online control mechanism for "supply-usage-storage". The Group will also develop a Facility Management System (FM system) to realise online facility management and improve the transparency of the Group's business process; realise digital management and enhance management efficiency; develop a digital professional capacity and realise professional experience conclusion and sharing. The Group will also optimise its existing online platforms such as Doyin station (東驛站) and expand the usage of its smart community platforms.

(4) Continue to expand selected business chains to diversify the development of the Group's value-added service offerings; and

The Group's mission is to satisfy the needs of customers by offering a wide range of value-added services, including both value-added services to non-property owners and community value-added services. For the residential property sector, the Group will focus on asset management, lifestyle service scenarios such as iShenma Dongdong (i神馬東東) and Mercure (美居).

At the same time, the Group will accelerate the development of the non-residential sector and build up the Group's integrated facilities management capability. The Group will explore value-added service opportunities for non-residential projects, obtain a deeper understanding of customers' needs and innovate service models. For corporate clients, the Group provides comprehensive services, such as facility and equipment maintenance, building renovation, security, investment and corporate services, marketing planning, customised concierge services, and sales services to meet its corporate clients' needs, such as intelligent security, office efficiency and business reception. For customers in medical industry, the Group provides integrated management services, such as order maintenance, cleaning, equipment and facility maintenance and management, centralised transportation, medical fabric decontamination, medical guide service, patient care, hospital disinfection and material maintenance.

(5) Continue to strengthen the Group's corporate culture and attract, cultivate and retain talents to propel the growth of the Group.

The Group attaches great importance in building the culture of the Group. The Group expands the cultural momentum through monthly cultural events and strengthens the cultural transmission through correspondents of the Group. The culture assessment standard KPA has been developed and adopted in 2022 staff performance evaluation to enhance staff's recognition of the Group's values and culture orientation, so as to cultivate the Dowell culture among the staff members of the Group. At the same time, through "offline promotion, online empowerment and regional linkage", the Group is promoting and developing talents, promoting the completion of the training certification of all project managers under the "Juying Hui (聚英薈)" programme, and establishing a mechanism linking up training and certification to promotion to ensure project managers are well-trained. In addition, the Group is able to attract and retain more talents through its internal referral platform, which allows staff members of the Group to recommend more talents to join the Group. Therefore, the Group can concentrate more on development and better communicate the Group's talent strategy and standards externally.

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

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 (the "**Net Proceeds**") amounted to approximately HK$139.8 million in total, after deducting the underwriting fees and relevant expenses. As at 31 December 2022, the Group has used approximately HK$99.4 million of the Net Proceeds.

As disclosed in the Company's announcements (the "**UOP Announcements**") dated 23 June 2022 and 23 August 2022 regarding, among others, change in use of Net Proceeds, the Board resolved to alter the timeframe for the use of the Net Proceeds attributable to strategic investments, cooperation and acquisition. 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 31 December 2022:

		Net Proceeds (HK$ million)			
Item	Percentage	Available Net Proceeds from listing of the H Shares on the Stock Exchange and partial exercise of the over-allotment option	Used From the Listing Date and up to 31 December 2022	Unused As at 31 December 2022	Remaining balance expected to be fully used by
Strategic investments, cooperation and acquisition	65.0%	90.9	77.2	13.7	End of year 2023
Improve service quality and extend service offering	16.5%	23.0	1.3	21.7	End of year 2023
Upgrade and develop intelligent systems	8.5%	11.9	9.3	2.6	End of year 2023
General working capital	10.0%	14.0	11.6	2.4	N/A
Total	100.0%	139.8	99.4	40.4	

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group entered into equity transfer agreements on 23 June 2022 to acquire (i) 100% equity interests in Zhejiang Zhongdu Property Management Co., Ltd.* (浙江中都物業管理有限公司) ("**Zhejiang Zhongdu**") at the consideration of approximately RMB79.5 million; and (ii) 80% equity interests in Hunan Jindian Property Management Co., Ltd.* (湖南金典物業管理有限公司) ("**Hunan Jindian**") (collectively, the "**Acquisitions**") at the consideration of approximately RMB61.7 million. As at 31 March 2022, the total GFA under management of (i) Zhejiang Zhongdu was approximately 4.8 million sq.m., inclusive of 25 residential property projects and 12 non-residential property projects; and (ii) Hunan Jindian was approximately 7.7 million sq.m., inclusive of 41 non-residential property projects. As at the date of this announcement, the Acquisitions had been completed and Zhejiang Zhongdu had become an indirect wholly-owned subsidiary of the Company and Hunan Jindian had become an indirect non-wholly owned subsidiary of the Company. Further details relating to the Acquisitions are disclosed in the announcement of the Company dated 23 June 2022.

Save as disclosed above, there was no other material investments, acquisitions or disposal of subsidiaries, associated companies or joint ventures during the Reporting Period.

EXCHANGE RATE RISK

The Group conducts its business in RMB 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 designated or intended to manage foreign exchange rate risk. Therefore, 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, there are certain updates on the Group's capital structure. For further details, please refer to note 20 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had approximately 5,251 employees (31 December 2021: approximately 4,170 employees). During the Reporting Period, the total staff costs recognised as expenses were approximately RMB624.4 million (as at 31 December 2021: RMB492.6 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**") as set out in Appendix 14 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 develop, 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, since the Listing Date and up to 31 December 2022, 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 10 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 since the Listing Date and up to 31 December 2022.

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) developing 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) developing, 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 annual financial results for the year ended 31 December 2022 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.

SCOPE OF WORK OF BDO LIMITED

The financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2022 as set out in this annual results announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company since the Listing Date and up to 31 December 2022.

FINAL DIVIDEND

In view of the business growth of the Group and the support of the shareholders of the Company, the Board recommended the declaration of a final cash dividend ("**Final Dividend**") of RMB0.14 per share (tax inclusive) for the year ended 31 December 2022 (2021: RMB0.80 per share).

The dividend distribution plan shall be subject to the approval of the shareholders of the Company at the annual general meeting to be held on Friday, 9 June 2023 (the "**AGM**") and such dividend is expected to be paid on or around Tuesday, 8 August 2023. The Final Dividend payable to holders of (i) Domestic Shares shall be paid in RMB; (ii) H Shares shall be declared in RMB and paid in HK dollars; and (iii) Unlisted Foreign Shares shall be declared in RMB and paid in United States dollar ("**USD**"), the exchange rate of which will be calculated based on the average exchange rate of RMB against HK dollars or USD published by the People's Bank of China seven days prior to the AGM. Upon approval at the AGM, the Final Dividend will be paid by Tuesday, 8 August 2023.

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 (i) Domestic Shares will be paid in RMB; (ii) H Shares will be paid in HK dollars; and (iii) Unlisted Foreign Shares will be paid in USD. The relevant exchange rate will be calculated based on the average exchange rate of RMB against HK dollars or USD as announced by the People's Bank of China seven days prior to the date of the AGM 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 Nonresident 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 Final Dividend as enterprise income tax, distribute the Final Dividend to holders of Unlisted Foreign Shares and 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 H Shareholders registered in the name of other organisations and groups on Wednesday, 14 June 2023. 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 Nonresident 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 advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

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.

ANNUAL GENERAL MEETING

The AGM has been scheduled to be convened on Friday, 9 June 2023. Shareholders of the Company should refer to details regarding the AGM in the circular to be despatched by the Company and the notice of AGM and form of proxy accompanying therewith.

RECORD DATE FOR DETERMINING THE RIGHT TO ATTEND THE AGM AND ENTITLEMENT OF THE FINAL DIVIDEND

For the purpose of determining the rights to attend and vote at the AGM, the record date will be fixed at the close of business of Wednesday, 31 May 2023. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that 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 holders of H Shares) or to the Company's office in the PRC at 4th Floor, Hall E, Dongyuan 1891, Nan'an District, Chongqing, the PRC (for holders of Domestic Shares and Unlisted Foreign Shares), for registration no later than 4:30 p.m. on Wednesday, 31 May 2023.

For the purpose of determining the entitlement to the proposed Final Dividend (subject to the approval by the shareholders of the Company at the AGM), the record date will be fixed at the close of business of Wednesday, 14 June 2023. In order for holders of H Shares to qualify for the proposed Final 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 holders of H Shares) or to the Company's office in the PRC at 4th Floor, Hall E, Dongyuan 1891, Nan'an District, Chongqing, the PRC (for holders of Domestic Shares and Unlisted Foreign Shares), for registration no later than 4:30 p.m. on Wednesday, 14 June 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website at www.dowellservice.com and the Stock Exchange's website at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2022 will be despatched to the shareholders of the Company 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, 30 March 2023

As at the date of this announcement, the Board comprises Mr. Zhang Aiming and Mr. Fan Dong as executive 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*