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

### **東原仁知城市運營服務集團股份有限公司**

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

**(Stock Code: 2352)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

### **RETROSPECTIVE RESTATEMENT OF FINANCIAL INFORMATION OF THE COMPANY FOR 2022**

On 31 January 2023, the Company acquired 99% equity interests in Shanghai Xuanhai Technology Co., Ltd.\* (上海眩海科技有限公司) through business combination involving entities under common control, and retrospectively restated the financial data of the Company for 2022. Please refer to notes 1, 2, and 22 of the notes to the condensed consolidated financial statements in this announcement for details.

As all the applicable percentage ratios in respect of the aforementioned acquisition were less than 5%, and the total consideration was less than HK\$3 million, the aforementioned acquisition was fully exempted from the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules.

### **FINANCIAL HIGHLIGHTS**

- The Group's revenue was approximately RMB706.4 million, representing an increase of approximately 16.5% as compared with approximately RMB606.4 million for the corresponding period of 2022.
- The Group's revenue generated from its business segments are as follows:
  - revenue from property management services was approximately RMB510.9 million, accounting for approximately 72.3% of total revenue, representing an increase of approximately 39.5%, as compared with approximately RMB366.3 million for the corresponding period of 2022;

\* For identification purposes only

- revenue from community value-added services was approximately RMB120.3 million, accounting for approximately 17.0% of total revenue, representing an increase of approximately 5.6%, as compared with approximately RMB114.0 million for the corresponding period of 2022; and
- revenue from value-added services to non-property owners was approximately RMB75.2 million, accounting for approximately 10.7% of total revenue, representing a decrease of approximately 40.4%, as compared with approximately RMB126.1 million for the corresponding period of 2022.
- Gross profit was approximately RMB127.6 million, representing a decrease of approximately 12.4% as compared with approximately RMB145.7 million for the corresponding period of 2022. Gross profit margin was approximately 18.1%, representing a decrease of approximately 5.9 percentage points from approximately 24.0% for the corresponding period of 2022.
- Profit for the Reporting Period was approximately RMB33.2 million, representing a decrease of approximately 39.7% as compared with profit of approximately RMB55.1 million for the corresponding period of 2022. Profit for the Reporting Period attributable to shareholders of the Company was approximately RMB32.0 million, representing a decrease of approximately 40.8% as compared with approximately RMB54.0 million for the corresponding period of 2022.
- As at 30 June 2023, the Group had 552 contracted property management projects and contracted GFA of approximately 65.8 million sq.m., representing an increase of approximately 5.5% as compared with contracted GFA of approximately 62.3 million sq.m. as at 30 June 2022. Such projects included 511 projects under management and GFA under management of approximately 53.0 million sq.m., representing an increase of approximately 11.9% as compared with GFA under management of approximately 47.4 million sq.m. as at 30 June 2022.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

The board (the “**Board**”) of directors (the “**Directors**”) of DOWELL SERVICE GROUP CO. LIMITED\* 東原仁知城市運營服務集團股份有限公司(the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the restated comparative figures for the corresponding period of 2022 as follows:

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

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated, Note 22)
<b>Revenue</b>	5	706,403	606,355
Cost of sales		<u>(578,821)</u>	<u>(460,632)</u>
<b>Gross profit</b>		127,582	145,723
Selling and marketing expenses		(16,792)	(10,573)
Administrative expenses		(76,429)	(75,629)
Net impairment losses on financial assets		(3,014)	(1,450)
Other income		3,022	8,194
Other gains – net		<u>283</u>	<u>1,833</u>
<b>Operating profit</b>		34,652	68,098
Finance income		410	179
Finance costs	6	<u>(244)</u>	<u>(390)</u>
<b>Finance income/(costs) – net</b>		166	(211)
Share of results of investments accounted for using the equity method		<u>3,510</u>	<u>3,572</u>
<b>Profit before income tax expense</b>	7	38,328	71,459
Income tax expense	8	<u>(5,135)</u>	<u>(16,402)</u>
<b>Profit for the period</b>		<u>33,193</u>	<u>55,057</u>
<b>Total comprehensive income for the period</b>		<u><u>33,193</u></u>	<u><u>55,057</u></u>
<b>Profit and total comprehensive income for the period attributable to:</b>			
– Owners of the Company		31,980	54,017
– Non-controlling interests		<u>1,213</u>	<u>1,040</u>
		<u><u>33,193</u></u>	<u><u>55,057</u></u>
<b>Earnings per share for profit attributable to owners of the Company</b>	10		
– Basic and diluted (RMB per share)		<u><u>0.48</u></u>	<u><u>0.96</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Unaudited) (Restated, Note 22)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	33,063	34,408
Right-of-use assets	12	5,870	8,048
Intangible assets	13	277,404	280,474
Investments accounted for using the equity method	14	22,165	19,774
Contract costs		12,262	11,819
Long-term prepayments	17	5,469	4,216
Deferred income tax assets		13,721	13,143
		<u>369,954</u>	<u>371,882</u>
<b>Current assets</b>			
Contract assets		551	2,432
Dividend receivables		5,444	7,024
Inventories	15	40,327	40,032
Trade, bills and other receivables	16	695,794	599,334
Prepayments	17	32,895	27,042
Current income tax receivables		201	619
Restricted cash balance		670	670
Cash and cash equivalents		132,344	221,739
		<u>908,226</u>	<u>898,892</u>
<b>Total assets</b>		<u><u>1,278,180</u></u>	<u><u>1,270,774</u></u>
<b>EQUITY</b>			
Share capital	18	66,991	66,991
Reserves		218,676	218,427
Retained earnings		199,564	177,123
<b>Equity attributable to owners of the Company</b>		<u>485,231</u>	462,541
Non-controlling interests		<u>21,381</u>	21,120
<b>Total equity</b>		<u>506,612</u>	483,661

	<i>Notes</i>	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Unaudited, (Restated, Note 22))
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	<i>12</i>	<b>2,885</b>	4,027
Financial liabilities at fair value through profit or loss		<b>2,000</b>	2,000
Deferred income tax liabilities		<b>15,802</b>	15,191
		<b>20,687</b>	21,218
<b>Current liabilities</b>			
Borrowings	<i>21</i>	<b>3,700</b>	—
Trade payables	<i>19</i>	<b>262,544</b>	258,888
Accruals and other payables	<i>19</i>	<b>257,213</b>	264,093
Contract liabilities	<i>20</i>	<b>206,944</b>	228,604
Lease liabilities	<i>12</i>	<b>2,917</b>	4,148
Financial liabilities at fair value through profit or loss		<b>2,000</b>	2,000
Dividends payable		<b>9,379</b>	—
Current income tax liabilities		<b>6,184</b>	8,162
		<b>750,881</b>	765,895
<b>Total liabilities</b>		<b>771,568</b>	787,113
<b>Total equity and liabilities</b>		<b>1,278,180</b>	1,270,774
<b>Net current assets</b>		<b>157,345</b>	132,997
<b>Total assets less current liabilities</b>		<b>527,299</b>	504,879

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Dowell Service Group Co. Limited (the “**Company**”) was incorporated in the People’s Republic of China (the “**PRC**”) on 13 January 2015 as a limited liability company. Upon approval by the shareholders’ general meeting held on 13 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name to “DOWELL SERVICE GROUP CO. LIMITED\* (東原仁知城市運營服務集團股份有限公司)” on 30 December 2020. The address of the Company’s registered office is Room 206, B1/F, No. 108, Baihe Road, Nanping Town, Nan’an District, Chongqing, PRC. Its H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 29 April 2022.

The Company’s parent is Tianjin Chengfang Corporate Management Consultant Co. Ltd.\* (“**Tianjin Chengfang**”), a company established in the PRC, and the directors consider its ultimate parent 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.

During the six months ended 30 June 2023, the Group acquired 99% of the equity interests of Shanghai Xuanhai Technology Co., Ltd. (“**Shanghai Xuanhai**”) from Shenzhen Dirui Smart Technology Co., Ltd. (“**Shenzhen Dirui**”), which is a subsidiary of Dima Holdings. The acquisition was accounted for as business combination under common control (Note 22).

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.

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These condensed consolidated financial statements were authorised for issue on 18 August 2023.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 December 2022 (the “**2022 Annual Financial Statements**”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2023. Details of changes in accounting policies, and their effect on these condensed consolidated financial statements, are set out in Note 3.

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

\* For identification purposes only

These condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group for the six months ended 30 June 2023. These condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2022 Annual Financial Statements.

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

On 31 January 2023, the Group acquired 99% of the equity interest of Shanghai Xuanhai from Shenzhen Dirui, which is a subsidiary of Dima Holdings. The acquisition is considered as a business combination involving entities under common control and has been accounted for by using merger accounting method. As a result, the comparative figures of the condensed consolidated statement of financial position, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows and related notes were restated using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), as if Shanghai Xuanhai had been combined with the Group from the earliest date when Shanghai Xuanhai first came under the control of Dima Holdings.

## **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost basis. These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2022 Annual Financial Statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2023.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial period beginning on 1 January 2023.

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules

The new and revised standards, amendments and interpretations that are effective from 1 January 2023 did not have any significant impact on the Group’s accounting policies.

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to the Hong Kong Interpretation 5 (Revised) <sup>2</sup>
Amendments to HKAS 1	Non-Current Liabilities with Covenants <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback <sup>2</sup>

<sup>1</sup> 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.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

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

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

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

### **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 condensed consolidated financial statements.



## **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 condensed 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 in the future will have an impact on the Group's condensed consolidated financial statements.

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

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Annual Financial Statements.

## **5. REVENUE AND SEGMENT INFORMATION**

### **Operating segments**

The Group was principally engaged in property management services, community value-added services, and value-added services to non-property owners. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

## Geographical information

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

The geographical location of non-current assets is based on the physical location of the assets. As at 30 June 2023 and 31 December 2022, all of the Group's non-current assets are located in the PRC.

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 is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
<b>Revenue from customer and recognised over time</b>		
Property management services	510,895	366,254
Community value-added services	100,884	73,053
Value-added services to non-property owners	75,225	126,136
	<u>687,004</u>	<u>565,443</u>
<b>Revenue from customer and recognised at point in time</b>		
Community value-added services	19,399	40,903
Value-added services to non-property owners	—	9
	<u>19,399</u>	<u>40,912</u>
	<u>706,403</u>	<u>606,355</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest expenses on borrowings	34	—
Interest expense on factoring arrangements	52	61
Interest expenses on lease liabilities	158	329
	<u>244</u>	<u>390</u>

## 7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Auditors' remuneration	–	97
Cost of inventories recognised as expenses	131	1,864
Depreciation charge:		
– Owned property, plant and equipment	7,774	3,236
– Right-of-use-assets	2,417	1,887
	<u>10,191</u>	<u>5,123</u>
Research and development costs	–	207
Provision of impairment loss recognised on trade, bills and other receivables, net	3,010	85
Net gains from disposal of property, plant and equipment	(160)	(74)
Government subsidies	1,754	6,430
	<u>1,754</u>	<u>6,430</u>

## 8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Current tax – PRC Enterprise Income Tax (the “PRC EIT”)	5,102	17,774
Deferred tax	33	(1,372)
Income tax expenses	<u>5,135</u>	<u>16,402</u>

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

The general corporate income tax rate in the PRC is 25%. Certain subsidiaries of the Company located in western cities in the PRC are subject to a preferential income tax rate of 15%. Certain subsidiaries of the Company are small and micro enterprises, and are subject to a preferential tax rate of 20% or 10%, with a deemed preferential profit rate.

## 9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2023 has been proposed by the directors of the Company (Six months ended 30 June 2022: Nil).

The final dividend of RMB0.14 per share in respect of the year ended 31 December 2022, amounting to RMB9,379,000 was declared by the Board and approved on 9 June 2023 by the shareholders of the Company at the annual general meeting of the Company.

As at 30 June 2023, there was dividend payable of RMB9,379,000.

## 10. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Profit for the period attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share <i>(RMB'000)</i>	<b>31,980</b>	54,017
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	<b>66,990,867</b>	56,052,599
Basic and diluted earnings per share <i>(RMB)</i>	<b>0.48</b>	0.96

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of RMB6,817,000 during the six months ended 30 June 2023 (Six months ended 30 June 2022: RMB3,395,000) on property, plant and equipment to expand property portfolio and business scale.

## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Right-of-use assets

	<b>Office buildings</b> <i>RMB'000</i>	<b>Equipment and others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 1 January 2022 (unaudited)	10,649	20	10,669
Additions	1,828	451	2,279
Acquired through business combinations	406	–	406
Cancellation of lease	(597)	–	(597)
Depreciation for the year	(4,576)	(133)	(4,709)
	<hr/>	<hr/>	<hr/>
As at 31 December 2022 (unaudited)	7,710	338	8,048
Additions	239	–	239
Depreciation for the period	(2,321)	(96)	(2,417)
	<hr/>	<hr/>	<hr/>
As at 30 June 2023 (unaudited)	<u>5,628</u>	<u>242</u>	<u>5,870</u>

### Lease liabilities

	<b>At 30 June 2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>At 31 December 2022</b> <i>RMB'000</i> <b>(Unaudited)</b>
Within one year	2,917	4,148
More than one year, but not exceeding two years	2,177	2,277
More than two years, but not exceeding five years	708	1,750
	<hr/>	<hr/>
	<u>5,802</u>	<u>8,175</u>

Analysed as:

Current portion	2,917	4,148
Non-current portion	2,885	4,027
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	<u>5,802</u>	<u>8,175</u>

### 13. INTANGIBLE ASSETS

	<b>Software</b> <i>RMB'000</i>	<b>Customer relationships</b> <i>RMB'000</i> <i>(note (a))</i>	<b>Goodwill</b> <i>RMB'000</i> <i>(note (b))</i>	<b>Total</b> <i>RMB'000</i>
<b>Cost</b>				
As at 1 January 2022 (unaudited) (restated)	6,159	39,053	76,729	121,941
Additions	6,134	–	–	6,134
Acquired through business combinations	127	56,535	112,178	168,840
<hr/>				
As at 31 December 2022 and 1 January 2023 (unaudited) (restated)	12,420	95,588	188,907	296,915
Additions	3,120	–	–	3,120
<hr/>				
As at 30 June 2023 (unaudited)	<u>15,540</u>	<u>95,588</u>	<u>188,907</u>	<u>300,035</u>
 <b>Accumulated amortisation and impairment</b>				
As at 1 January 2022 (unaudited) (restated)	1,029	5,048	–	6,077
Provided for the year	2,254	8,110	–	10,364
<hr/>				
As at 31 December 2022 and 1 January 2023 (unaudited) (restated)	3,283	13,158	–	16,441
Provided for the period	713	5,477	–	6,190
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As at 30 June 2023 (unaudited)	<u>3,996</u>	<u>18,635</u>	<u>–</u>	<u>22,631</u>
 <b>Net book value</b>				
As at 30 June 2023 (unaudited)	<u>11,544</u>	<u>76,953</u>	<u>188,907</u>	<u>277,404</u>
 <hr/>				
As at 31 December 2022 (unaudited) (restated)	<u>9,137</u>	<u>82,430</u>	<u>188,907</u>	<u>280,474</u>

During the year ended 31 December 2022, the Group acquired Zhejiang Zhongdu Property Management Co., Ltd.\* (“**Zhejiang Zhongdu**”) and Hunan Jindian Property Management Co., Ltd.\* (“**Hunan Jindian**”) for a consideration of RMB79,500,000 and RMB61,700,000 respectively. The acquisitions were accounted for as business combinations. Customer relationships of RMB30,600,000 and RMB18,174,000 were recognised for Zhejiang Zhongdu and Hunan Jindian respectively. Goodwill of RMB64,665,000 and RMB41,041,000 were allocated to Zhejiang Zhongdu and Hunan Jindian respectively.

On 1 April 2022, the Group obtained the control power of Mianyang Ruisheng Property Management Co., Ltd.\* (“**Mianyang Ruisheng**”) with the arrangement detailed in Note 23. The deemed acquisition was accounted for as a business combination. Customer relationships of RMB7,760,000 was recognised. Goodwill of RMB6,472,000 was allocated to Mianyang Ruisheng.

**(a) Customer relationships**

	At <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2022 <i>RMB'000</i> (Unaudited) (Restated)
Hubei Zhonghe Century Property Management Co., Ltd.*	<b>800</b>	866
Chongqing Shengdu Property Management Co., Ltd.* (“ <b>Chongqing Shengdu</b> ”)	<b>1</b>	2
GSN Property Service Co., Ltd.* (“ <b>GSN</b> ”)	<b>16,981</b>	18,525
Guangxi Dongyuan Shengkang Logistics Management Service Co., Ltd. * (“ <b>Guangxi Shengkang</b> ”)	<b>8,938</b>	9,751
Mianyang Ruisheng Property Management Co., Ltd.* (“ <b>Mianyang Ruisheng</b> ”)	<b>6,790</b>	7,178
Hunan Jindian	<b>15,903</b>	17,038
Zhejiang Zhongdu	<b>27,540</b>	29,070
	<b>76,953</b>	82,430

\* For identification purposes only

**(b) Goodwill**

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Unaudited) (Restated)
Chongqing Shengdu	1,031	1,031
GSN	62,273	62,273
Guangxi Shengkang	13,425	13,425
Mianyang Ruisheng ( <i>Note 23</i> )	6,472	6,472
Hunan Jindian ( <i>Note 23</i> )	41,041	41,041
Zhejiang Zhongdu ( <i>Note 23</i> )	64,665	64,665
	<u>188,907</u>	<u>188,907</u>

The Group is required to test, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The recoverable amount for the CGU is determined based on value-in-use calculations. These calculations use pre-tax discounted cash flow projections based on multiple-scenario financial budgets approved by management covering a 5-year period, with each of the scenarios probability weighted.



#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Unaudited)
Beginning of the period/year	19,774	24,118
Investment in joint ventures	–	6,480
Deregistration of an associate	–	(274)
Share of post-tax profits of joint ventures and associates	3,510	6,931
Dividends distribution	(1,119)	(8,453)
Change of control ( <i>note a and note 23</i> )	–	(9,028)
	<u>22,165</u>	<u>19,774</u>

*Note a:* Chongqing Xindongyuan Property Management Co., Ltd.\* (“Chongqing Xindongyuan”), a subsidiary of the Company, acquired 50% shareholding of Mianyang Ruisheng in June 2019. On 1 April 2022, Chongqing Xindongyuan, agreed with a shareholder of Mianyang Ruisheng to obtain a 1% voting right of 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 articles 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.

#### 15. INVENTORIES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Unaudited)
Parking spaces	40,001	40,132
Consumables	5,641	5,239
	<u>45,642</u>	<u>45,371</u>
<i>Less:</i> Provision for impairment of inventories	(5,315)	(5,339)
	<u>40,327</u>	<u>40,032</u>

\* For identification purposes only

## 16. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Unaudited) (Restated)
<b>Trade and bills receivables</b>		
Trade receivables due from related parties	324,696	287,980
Trade receivables due from third parties	366,571	310,541
Bills receivables due from related parties	547	547
	<u>691,814</u>	<u>599,068</u>
<i>Less:</i> Provision for impairment of trade and bills receivables	<u>(36,889)</u>	<u>(34,069)</u>
	<u>654,925</u>	<u>564,999</u>
<b>Other receivables</b>		
Other receivables due from related parties	2,484	1,427
Other receivables due from third parties		
– Payments on behalf of property owners ( <i>note (i)</i> )	3,594	6,319
– Deposits	19,268	15,173
– Advances to employees	6,857	5,127
– Others	9,848	7,281
	<u>42,051</u>	<u>35,327</u>
<i>Less:</i> Provision for impairment of other receivables	<u>(1,182)</u>	<u>(992)</u>
	<u>40,869</u>	<u>34,335</u>
	<u>695,794</u>	<u>599,334</u>

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

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

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

An ageing analysis of trade and bills receivables, based on the invoice dates, as of 30 June 2023 and 31 December 2022 is as follows:

	At <b>30 June 2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2022 <i>RMB'000</i> <b>(Unaudited)</b> <b>(Restated)</b>
Less than 1 year	<b>531,920</b>	479,844
1 to 2 years	<b>136,531</b>	96,407
2 to 3 years	<b>14,799</b>	14,039
Over 3 years	<b>8,564</b>	8,778
	<b>691,814</b>	599,068
<i>Less: Provision for impairment of trade and bills receivables</i>	<b>(36,889)</b>	(34,069)
	<b>654,925</b>	564,999

## 17. PREPAYMENTS

	At <b>30 June 2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2022 <i>RMB'000</i> <b>(Unaudited)</b> <b>(Restated)</b>
<b>Current – Prepayments to related parties</b>		
Prepaid utility expenses	<b>43</b>	–
<b>Current – Prepayments to third parties</b>		
Prepaid other tax	<b>8,549</b>	9,913
Prepaid utility expenses	<b>11,093</b>	8,504
Prepaid other operating expenses	<b>13,210</b>	8,625
	<b>32,895</b>	27,042
<b>Non-current – Prepayments to third parties</b>		
Prepaid other operating expenses	<b>5,469</b>	4,216
	<b>38,364</b>	31,258

## 18. SHARE CAPITAL

	At 30 June 2023		At 31 December 2022	
	Number '000	Amount RMB'000	Number '000	Amount 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	16,991	16,991
	<u>66,991</u>	<u>66,991</u>	<u>66,991</u>	<u>66,991</u>

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

	Number '000	Amount RMB'000
As at 1 January 2022 (unaudited)	50,000	50,000
Issuance of new shares upon listing ( <i>Note (i)</i> )	16,667	16,667
Exercise of the over-allotment option ( <i>Note (ii)</i> )	324	324
As at 31 December 2022 (unaudited) and 30 June 2023 (unaudited)	<u>66,991</u>	<u>66,991</u>

*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 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.

## 19. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Unaudited) (Restated)
<b>Trade payables</b>		
Trade payables due to related parties	10,575	14,401
Trade payables due to third parties		
– Payables for labor costs	189,903	182,074
– Payables for construction costs	38,780	36,462
– Payables for consumables	23,286	25,951
	<u>262,544</u>	<u>258,888</u>
	<u><u>262,544</u></u>	<u><u>258,888</u></u>
	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Unaudited) (Restated)
<b>Accruals and other payables</b>		
Other payables due to related parties	15,358	16,202
Accruals and other payables due to third parties		
– Outstanding cash consideration payable for business combinations	5	56
– Employee benefit payables	52,797	80,743
– Deposits	59,820	58,293
– Temporary receipts from property owners	34,505	27,819
– Other taxes payables	23,666	21,365
– Interest payables	5,386	5,386
– Cash collected on behalf of property owners	49,854	45,775
– Accrued operating expenses	15,318	7,963
– Others	504	491
	<u>257,213</u>	<u>264,093</u>
	<u><u>257,213</u></u>	<u><u>264,093</u></u>

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

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

	At <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2022 <i>RMB'000</i> <b>(Unaudited)</b> <b>(Restated)</b>
Less than 1 year	241,609	226,751
1 to 2 years	16,997	27,069
2 to 3 years	3,938	5,068
	<u>262,544</u>	<u>258,888</u>

## 20. CONTRACT LIABILITIES

	At <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2022 <i>RMB'000</i> <b>(Unaudited)</b> <b>(Restated)</b>
Property management services	167,737	182,768
Community value-added services	35,831	43,111
Value-added services to non-property owners	3,376	2,725
	<u>206,944</u>	<u>228,604</u>

## 21. BORROWINGS

At 30 June 2023, the Group's other loans amounting to RMB3,700,000 (31 December 2022: Nil) are unsecured and interest bearing at 5.5% per annum. The Group's other loans are repayable as follows:

	At <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2022 <i>RMB'000</i> <b>(Unaudited)</b>
Less than 1 year	<u>3,700</u>	<u>—</u>

## 22. BUSINESS COMBINATION UNDER COMMON CONTROL

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

The acquisition is considered as a business combination involving entities under common control and has been accounted for by using merger accounting method. As a result, the condensed consolidated statement of financial position as at 31 December 2022 and the condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended 30 June 2022 have been restated to include the results of the acquired entity during that period.

The adoption of merger accounting for the year ended 31 December 2022 has resulted in a decrease in the Group's total comprehensive income and profit attributable to the owners of the Company for the year ended 31 December 2022 by RMB1,365,000 and RMB1,365,000 respectively.

The effect of merger accounting restatement described above on the condensed consolidated statement of profit or loss and comprehensive income for the period ended 30 June 2022 by line items is as follows:

	<b>Period ended 30 June 2022 RMB'000 (Unaudited) (Originally presented)</b>	<b>Merger accounting adjustment RMB'000</b>	<b>Period ended 30 June 2022 RMB'000 (Unaudited) (Restated)</b>
Revenue	605,111	1,244	606,355
Cost of sales	<u>(460,180)</u>	<u>(452)</u>	<u>(460,632)</u>
Gross profit	144,931	792	145,723
Selling and marketing expenses	(9,882)	(691)	(10,573)
Administrative expenses	(74,066)	(1,563)	(75,629)
Net impairment losses on financial assets	(1,449)	(1)	(1,450)
Other income	8,038	156	8,194
Other gains – net	<u>1,833</u>	<u>–</u>	<u>1,833</u>
<b>Operating profit/(loss)</b>	<b>69,405</b>	<b>(1,307)</b>	<b>68,098</b>

	<b>Period ended 30 June 2022</b> <i>RMB'000</i> (Unaudited) (Originally presented)	<b>Merger accounting adjustment</b> <i>RMB'000</i>	<b>Period ended 30 June 2022</b> <i>RMB'000</i> (Unaudited) (Restated)
Finance income	178	1	179
Finance costs	(390)	–	(390)
<b>Finance income/(costs) – net</b>	(212)	1	(211)
Share of results of investments accounted for using the equity method	<u>3,572</u>	<u>–</u>	<u>3,572</u>
Profit/(loss) before income tax expense	72,765	(1,306)	71,459
Income tax expense	<u>(16,343)</u>	<u>(59)</u>	<u>(16,402)</u>
Profit/(loss) and total comprehensive income for the period	<u><u>56,422</u></u>	<u><u>(1,365)</u></u>	<u><u>55,057</u></u>
Total comprehensive income for the period attributable to:			
Owner of the Company	55,382	(1,365)	54,017
Non-controlling interests	<u>1,040</u>	<u>–</u>	<u>1,040</u>
	<u><u>56,422</u></u>	<u><u>(1,365)</u></u>	<u><u>55,057</u></u>
Earnings per share – Basic and diluted ( <i>RMB</i> )	<u>0.99</u>		<u>0.96</u>



The effect of merger accounting restatement described above on the condensed consolidation of statement of financial position as at 31 December 2022 by line items is as follows:

	<b>As at 31 December 2022</b> <i>RMB'000</i> (Audited) (Originally presented)	<b>Merger accounting adjustment</b> <i>RMB'000</i>	<b>As at 31 December 2022</b> <i>RMB'000</i> (Unaudited) (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	34,376	32	34,408
Right-of-use assets	8,048	–	8,048
Intangible assets	278,077	2,397	280,474
Investments accounted for using the equity method	19,774	–	19,774
Contract costs	11,819	–	11,819
Long-term prepayments	4,216	–	4,216
Deferred income tax assets	13,311	(168)	13,143
	<hr/>	<hr/>	<hr/>
Total non-current assets	369,621	2,261	371,882
<b>Current assets</b>			
Contract assets	2,432	–	2,432
Dividend receivables	7,024	–	7,024
Inventories	40,032	–	40,032
Trade and other receivables	599,620	(286)	599,334
Prepayments	21,069	5,973	27,042
Current income tax receivables	600	19	619
Restricted cash balance	670	–	670
Cash and cash equivalents	220,381	1,358	221,739
	<hr/>	<hr/>	<hr/>
Total current assets	891,828	7,064	898,892
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>1,261,449</b>	<b>9,325</b>	<b>1,270,774</b>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	66,991	–	66,991
Reserves	212,370	6,057	218,427
Retained earnings	185,426	(8,303)	177,123
	<hr/>	<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>	<b>464,787</b>	<b>(2,246)</b>	<b>462,541</b>
Non-controlling interests	21,120	–	21,120
	<hr/>	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>485,907</b>	<b>(2,246)</b>	<b>483,661</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

	<b>As at 31 December 2022</b> <i>RMB'000</i> (Audited) (Originally presented)	<b>Merger accounting adjustment</b> <i>RMB'000</i>	<b>As at 31 December 2022</b> <i>RMB'000</i> (Unaudited) (Restated)
<b>Non-current liabilities</b>			
Lease liabilities	4,027	–	4,027
Financial liabilities at fair value through profit or loss	2,000	–	2,000
Deferred income tax liabilities	15,191	–	15,191
<b>Total non-current liabilities</b>	<u>21,218</u>	<u>–</u>	<u>21,218</u>
<b>Current liabilities</b>			
Trade payables	247,990	10,898	258,888
Accruals and other payables	263,632	461	264,093
Contract liabilities	228,392	212	228,604
Lease liabilities	4,148	–	4,148
Financial liabilities at fair value through profit or loss	2,000	–	2,000
Current income tax liabilities	8,162	–	8,162
<b>Total current liabilities</b>	<u>754,324</u>	<u>11,571</u>	<u>765,895</u>
<b>Total liabilities</b>	<u><u>775,542</u></u>	<u><u>11,571</u></u>	<u><u>787,113</u></u>
<b>Total equity and liabilities</b>	<u><u>1,261,449</u></u>	<u><u>9,325</u></u>	<u><u>1,270,774</u></u>

## 23. BUSINESS COMBINATION NOT UNDER COMMON CONTROL

### Zhejiang Zhongdu

On 23 June 2022, the Group acquired 100% of the voting equity instruments of 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.

	<b>Book value</b> <i>RMB'000</i>	<b>Adjustment</b> <i>RMB'000</i>	<b>Fair value</b> <i>RMB'000</i>
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	–	(4,644)	(4,644)
	<hr/>	<hr/>	<hr/>
Total net assets	(11,482)	26,317	14,835
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*Fair value of consideration paid*

	<b>Fair value</b> <i>RMB'000</i>
Cash consideration	79,500
	<hr/> <hr/>
Goodwill ( <i>Note 13 (b)</i> )	64,665
	<hr/> <hr/>

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 RMB1,960,000 and net profit of RMB41,000 to the Group since the acquisition date to 30 June 2022. If the acquisition had occurred on 1 January 2022, group revenue and group profit for the six months ended 30 June 2022 would have been RMB650,697,000 and RMB55,988,000 respectively.

### **Hunan Jindian**

On 23 June 2022, the Group acquired 80% of the voting equity instruments of 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.

	<b>Book value</b> <i>RMB'000</i>	<b>Adjustment</b> <i>RMB'000</i>	<b>Fair value</b> <i>RMB'000</i>
Property, plant and equipment	2,906	560	3,466
Intangible assets	–	18,174	18,174
Right of use assets	406	–	406
Long-term prepayments	176	(135)	41
Inventories	15	–	15
Trade and other receivables	14,189	–	14,189
Prepayments	7	(1)	6
Cash and cash equivalents	4,815	–	4,815
Restricted bank balance	670	–	670
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)
	<u>10,014</u>	<u>15,808</u>	
Total net assets			25,822
			<u>(5,163)</u>
Less: non-controlling interests			(5,163)
Net assets acquired			<u>20,659</u>
			<u>61,700</u>
<b>Fair value of consideration paid</b>			
Cash consideration			<u>61,700</u>
			<u>41,041</u>
Goodwill ( <i>Note 13 (b)</i> )			<u>41,041</u>

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 RMB1,311,000 and net loss of RMB13,000 to the Group since the acquisition date to 30 June 2022. If the acquisition had occurred on 1 January 2022, group revenue and group profit for the six months ended 30 June 2022 would have been RMB636,016,000 and RMB54,757,000 respectively.

## Mianyang Ruisheng

On 1 April 2022, Chongqing Xindongyuan, agreed with a shareholder of a joint venture, Mianyang Ruisheng to obtain the 1% voting right of the Mianyang Ruisheng which the shares are owned by another shareholder. After the arrangement, Chongqing Xindongyuan owned 51% voting right. According to the articles of association of Mianyang Ruisheng, shareholders own over 50% voting right can be able to direct the financial and operation 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 <i>RMB'000</i>	Adjustment <i>RMB'000</i>	Fair value <i>RMB'000</i>
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)
	<u>4,864</u>	<u>6,596</u>	
Total net assets			11,460
Less: non-controlling interests			<u>(5,730)</u>
Net assets acquired			<u>5,730</u>
Fair value of consideration paid			
Cash consideration			–
Carrying amount of previously held equity interest (Note 14)			9,028
Gain on re-measurement of previously held equity interest			<u>3,174</u>
Fair value of previously held equity interest			<u>12,202</u>
Goodwill (Note 13 (b))			<u>6,472</u>

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 RMB7,445,000 and net profit of RMB1,175,000 to the Group since the acquisition date to 30 June 2022. If the acquisition had occurred on 1 January 2022, group revenue and group profit for the six months ended 30 June 2022 would have been RMB612,128,000 and RMB55,308,000 respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Summary and review for the first half of 2023

In the first half of 2023, while deeply cultivating the residential stock market, the Group adhered to the market-oriented transformation, actively expanded its non-residential related business, innovated service models, and established differentiated competitive advantages. As at 30 June 2023, the Group operated and managed in 68 cities, with 511 projects under management, in the People's Republic of China (the "PRC"), including 208 residential projects and 303 non-residential projects, with an aggregate gross floor area ("GFA") under management of approximately 33.5 million square meters ("sq.m.") and approximately 19.5 million sq.m., respectively, and entered into 552 contracted property management projects with contracted GFA of approximately 65.8 million sq.m. in 73 cities.

The Group adheres to the service concept of "For Every Moment of Peace of Mind", the vision of "becoming a respected urban renewal service provider with unique business value", the development strategy of "Big Property • Full Value", and the development characteristics of diversified business services. The Group has established its presence in four major areas, namely "comprehensive residential services, international comprehensive services, comprehensive medical services and comprehensive urban services", forming a comprehensive service advantage of combining residential and non-residential sectors and empowering by the value-added industry chain. In April 2023, the Group was recognised as one of the "2023 Top 100 Property Management Companies in China" by China Index Academy, and the Group's ranking in terms of overall strength in the industry raised by 2 places to 16th, as compared with 2022.

#### Our business model

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

- (i) property management services, 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, 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 RMB510.9 million, representing an increase of approximately 39.5%, as compared to the corresponding period of 2022, which is mainly due to (i) the continuous expansion of the Group's business, including an increase of approximately 11.9% in GFA under management from approximately 47.4 million sq.m. as at 30 June 2022 to approximately 53.0 million sq.m. as at 30 June 2023; and (ii) the acquisitions of (a) Zhejiang Zhongdu Property Management Co., Ltd.\* (浙江中都物業管理有限公司); and (b) Hunan Jindian Property Management Co., Ltd.\* (湖南金典物業管理有限公司) in late June 2022, resulting in a corresponding increase in the revenue derived from property management services during the Reporting Period. Please refer to the announcement of the Company dated 23 June 2022 for details.

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

The Group adheres to solidify its market position and expand its property portfolio and business scale through multiple channels, such as organic growth and strategic acquisitions and investment. During the Reporting Period, leveraging the close relationship with Dima Group (as defined below), one of the Company's controlling shareholders, the GFA under management of projects sourced from Dima Group reached approximately 15.8 million sq.m., representing an increase by approximately 8.6% as compared to the same as at 30 June 2022. In addition, the Group expanded the property projects under management that are sourced from Independent Third Parties. The GFA under management of projects sourced from Independent Third Parties reached approximately 33.7 million sq.m., representing an increase by approximately 15.2% as compared to the same as at 30 June 2022.

By source of property projects:

The table below sets out the Group's total revenue from property management services, GFA under management and number of projects based on the sources from which the Group obtained the relevant property projects during the Reporting Period and the corresponding period of 2022.

	Six months ended 30 June 2023		As at 30 June 2023		Six months ended 30 June 2022		As at 30 June 2022	
	Revenue	(%)	Number of projects	GFA under management <sup>(5)</sup>	Revenue (restated)	(%)	Number of projects	GFA under management <sup>(5)</sup>
	(RMB'000)			('000 sq.m.)	(RMB'000)			('000 sq.m.)
Property projects sourced from Dima Group <sup>(1)(2)</sup>	196,357	38.4	95	15,754	182,181	49.8	78	14,513
Property projects sourced from Affiliated Companies <sup>(1)(3)</sup>	22,908	4.5	17	3,546	19,526	5.3	18	3,610
Property projects sourced from Independent Third Parties <sup>(1)(4)</sup>	291,630	57.1	399	33,714	164,547	44.9	351	29,261
<b>Total</b>	<b>510,895</b>	<b>100.0</b>	<b>511</b>	<b>53,014</b>	<b>366,254</b>	<b>100.0</b>	<b>447</b>	<b>47,384</b>

Notes:

- 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.
- Dima Group refers to Dima Holdings Co., Ltd.\* (重慶市迪馬實業股份有限公司) (“Dima”) and companies formed by Dima and/or its subsidiary(ies) with other Independent Third Party(ies) (as defined below) which Dima held a controlling interest.
- Affiliated Companies refers to companies that engaged the Group to provide services and are (i) formed by Dima Group (including the Group) and independent third party(ies) in which Dima Group does not hold any controlling interests and are not consolidated entities of Dima Group; and (ii) held directly by Mr. Lo Siu Yu, Chongqing Doyen Holdings Group Co., Ltd.\* (重慶東銀控股集團有限公司), Ms. Chiu Kit Hung and Chongqing Shuorun Petrochemical Company Limited\* (重慶碩潤石化有限責任公司) (other than the Group and Dima Group).
- Independent Third Parties refers to enterprises which are not part of Dima Group or Affiliated Companies, including, among others, third-party developers, property owners' associations and individual property owners.
- This includes GFA where the property management services were provided by entities in which the Group holds non-controlling interests. As at 30 June 2023, the total GFA under management of property projects managed by entities the Group holds non-controlling interests in were approximately 2.6 million sq.m..

We manage 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 30 June 2023, the Group's GFA under management of residential properties was approximately 33.5 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 grew by approximately 1.7 percentage points as compared to the same period in 2022.

As at 30 June 2023, the Group's GFA under management of non-residential properties was approximately 19.5 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 decreased by approximately 1.7 percentage points as compared to the same period in 2022.

The table below sets out the Group's total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period of 2022:

	Six months ended		As at 30 June 2023		Six months ended		As at 30 June 2022	
	30 June 2023		Number of projects	GFA under management	30 June 2022		Number of projects	GFA under management
	Revenue	%			Revenue	%		
	<i>(RMB'000)</i>			<i>('000 sq.m.)</i>	<i>(restated)</i>			<i>('000 sq.m.)</i>
Residential properties	286,394	56.1	208	33,521	211,992	57.9	174	29,133
Non-residential properties	224,501	43.9	303	19,493	154,262	42.1	273	18,251
Total	<u>510,895</u>	<u>100.0</u>	<u>511</u>	<u>53,014</u>	<u>366,254</u>	<u>100.0</u>	<u>447</u>	<u>47,384</u>

### *Continuous expansion in geographic presence*

By geographic presence:

As at 30 June 2023, the Group had 552 contracted property management projects and contracted GFA of approximately 65.8 million sq.m., representing an increase of approximately 5.5% as compared with contracted GFA of approximately 62.3 million sq.m. as at 30 June 2022. Such projects included 511 projects under management and GFA under management of approximately 53.0 million sq.m., representing an increase of approximately 11.9% as compared with GFA under management of approximately 47.4 million sq.m. as at 30 June 2022.

The table below sets out the Group's total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period in 2022:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Revenue (RMB'000)	Number of projects	GFA under management ('000 sq.m.)	Revenue (restated) (RMB'000)	Number of projects	GFA under management ('000 sq.m.)
Chongqing	119,215	75	9,254	97,513	70	8,636
Sichuan Province	79,193	58	7,647	61,300	48	7,469
Hubei Province	63,501	37	7,629	53,853	25	6,512
Shanghai	48,729	57	2,288	43,539	53	2,372
Zhejiang Province	54,989	54	5,662	12,587	56	7,518
Jiangsu Province	31,020	52	3,437	27,775	48	3,316
Beijing	24,752	38	920	31,797	37	997
Guangxi Zhuang Autonomous Region	11,467	34	1,520	11,212	34	457
Hunan Province	44,041	36	9,729	2,580	26	6,760
Others	33,988	70	4,928	24,098	50	3,347
<b>Total</b>	<b>510,895</b>	<b>511</b>	<b>53,014</b>	<b>366,254</b>	<b>447</b>	<b>47,384</b>

### 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 increased by approximately 5.6% to approximately RMB120.3 million as compared to approximately RMB114.0 million in the same period last year, mainly due to the increase in GFA under management during the Reporting Period which has led to an increase in revenue derived from car parking spaces management services, and car parking spaces and property sales services. During the Reporting Period, revenue derived from community value-added services accounted for approximately 17.0% of total revenue.

## **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 40.4% to approximately RMB75.2 million as compared to approximately RMB126.1 million in the same period last year, mainly due to (i) completion and delivery of projects that we provide maintenance and renovation services in; and (ii) a decrease in the provision of sales assistance services, maintenance and renovation services, and pre-delivery consultancy and inspection services during the Reporting Period. During the Reporting Period, revenue derived from value-added services to non-property owners accounted for approximately 10.7% of total revenue.

## **RETROSPECTIVE RESTATEMENT OF FINANCIAL INFORMATION OF THE COMPANY FOR 2022**

On 31 January 2023, the Company acquired 99% equity interests in Shanghai Xuanhai Technology Co., Ltd.\* (上海眩海科技有限公司) through business combination involving entities under common control, and retrospectively restated the financial data of the Company for 2022. Please refer to notes 1, 2, and 22 of the notes to the condensed consolidated financial statements in this announcement for details.

As all the applicable percentage ratios in respect of the aforementioned acquisition were less than 5%, and the total consideration was less than HK\$3 million, the aforementioned acquisition was fully exempted from the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules.

## **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 RMB100.0 million or approximately 16.5% to approximately RMB706.4 million from approximately RMB606.4 million as compared with the same period of 2022. The increase in revenue for the Reporting Period was mainly attributable to the increase in revenue from property management services.

The table below sets out a breakdown of the Group's total revenue by business lines during the Reporting Period and the corresponding period of 2022:

	<b>Six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Revenue</b>	<b>Percentage</b>	Revenue	Percentage
	<b>(RMB'000)</b>	<b>(%)</b>	(restated)	(%)
	<b>(RMB'000)</b>	<b>(%)</b>	(RMB'000)	(%)
Property management services	<b>510,895</b>	<b>72.3</b>	366,254	60.4
Community value-added services	<b>120,283</b>	<b>17.0</b>	113,956	18.8
Value-added services to non-property owners	<b>75,225</b>	<b>10.7</b>	126,145	20.8
<b>Total</b>	<b><u>706,403</u></b>	<b><u>100.0</u></b>	<b><u>606,355</u></b>	<b><u>100.0</u></b>

### **Cost of sales**

During the Reporting Period, the Group's cost of sales increased by approximately RMB118.2 million or approximately 25.7% to approximately RMB578.8 million from approximately RMB460.6 million as compared with the same period of 2022. 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**

The Group's gross profit decreased by approximately 12.4% from approximately RMB145.7 million for the six months ended 30 June 2022 to approximately RMB127.6 million for the six months ended 30 June 2023. The decrease was mainly attributable to the decrease in revenue derived from sales assistance services, maintenance and renovation services, and pre-delivery consultancy and inspection services.

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
		(restated)
Property management services	<b>18.4%</b>	23.3%
Community value-added services	<b>17.4%</b>	24.7%
Value-added services to non-property owners	<b>17.0%</b>	25.6%
<b>Overall gross profit margin</b>	<b>18.1%</b>	24.0%

The Group's overall gross profit margin is affected by gross profit margins for each of its business lines. During the Reporting Period, the Group's gross profit margin was approximately 18.1%, representing a decrease of approximately 5.9 percentage points from approximately 24.0% for the corresponding period in 2022.

The gross profit margin of property management services decreased from approximately 23.3% for the corresponding period in 2022 to approximately 18.4% during the Reporting Period. The decrease was mainly attributable to (i) an increase in investment cost in various property management projects for the purposes of enhancing the quality of services provided; and (ii) lower gross profit margins of newly acquired property management projects.

The gross profit margin of community value-added services decreased from approximately 24.7% for the corresponding period in 2022 to approximately 17.4% during the Reporting Period. The decrease was mainly attributable to adjustment in the proportion of services provided under such community value-added services segment, including an increase in the provision of car parking spaces management services and community events planning services and a decrease in the provision of car parking spaces and property sales services, which generally had lower gross profit margin as compared with other community value-added services.

The gross profit margin of value-added services to non-property owners decreased from approximately 25.6% for the corresponding period in 2022 to approximately 17.0% during the Reporting Period. The decrease was mainly attributable to the decrease in revenue derived from the provision of sales assistance services, maintenance and renovation services, and pre-delivery consultancy and inspection services.

### **Other income**

During the Reporting Period, the Group's other income amounted to approximately RMB3.0 million, representing a decrease of approximately 63.1% from approximately RMB8.2 million for the corresponding period in 2022. The decrease was primarily due to the fact that the Group no longer received listing incentive subsidy from the relevant government authority in Chongqing during the Reporting Period as compared to the corresponding period in 2022.

### **Other gains, net**

During the Reporting Period, the Group recorded other gains of approximately RMB0.3 million, representing a decrease of approximately 84.6% from approximately RMB1.8 million for the corresponding period in 2022. The decrease was primarily due to fluctuation in foreign exchange rate derived from Hong Kong dollars held by the Group.

## **Selling and marketing expenses**

The Group's selling and marketing expenses primarily consist of promotion expenses and employee benefit expenses. During the Reporting Period, the Group's selling and marketing expenses amounted to approximately RMB16.8 million, representing an increase of approximately 58.8% from approximately RMB10.6 million for the corresponding period in 2022. The increase was primarily due to (i) the continuous growth in the Group's business scale, leading to the corresponding increase in marketing expenses; (ii) the Group's increasing effort in sourcing property projects from Independent Third Parties; and (iii) an increase in brand promotion expenses in order to enhance the Company's brand image.

## **Administrative expenses**

During the Reporting Period, the Group's administrative expenses remained stable as compared to the corresponding period in 2022.

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

The Group's net impairment losses on financial assets primarily included the impairment provisions for losses arising from potential bad debt in respect of trade receivables and other receivables. During the Reporting Period, the Group's net impairment losses on financial assets amounted to approximately RMB3.0 million, as compared to approximately RMB1.5 million for the corresponding period in 2022, which was mainly due to (i) the increase in trade receivables as a result of the continuous growth in the Group's business; and (ii) the increase in expected rate of credit losses on trade receivables.

## **Finance income/cost, net**

During the Reporting Period, the Group's finance income amounted to approximately RMB0.4 million, representing an increase of approximately 129.1% from approximately RMB0.2 million during the corresponding period in 2022. The increase was mainly due to the increase in interest rates on bank deposits.

During the Reporting Period, the Group's finance cost amounted to approximately RMB0.2 million, representing a decrease of approximately 37.4% from approximately RMB0.4 million during the corresponding period in 2022. The decrease was mainly due to lower interest expenses on lease liabilities during the Reporting Period.



## **Profit before income tax expense**

Profit before income tax expense of the Group decreased to approximately RMB38.3 million for the Reporting Period by approximately 46.4% from approximately RMB71.5 million for the corresponding period in 2022. The decrease was mainly due to (i) decrease in the overall gross profit margin, in particular the gross profit margin of community value-added services and value-added services to non-property owners; (ii) increase in selling and marketing expenses for the purpose of enhancing the Company's brand image; and (iii) the fact that the Group no longer received listing incentive subsidy from the relevant government authority in Chongqing during the Reporting Period as compared to the corresponding period in 2022.

## **Income tax expense**

During the Reporting Period, the Group's income tax expense decreased to approximately RMB5.1 million by approximately 68.7% from approximately RMB16.4 million for the corresponding period in 2022, which was mainly due to the decrease in the Group's profit before tax, resulting in 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. As at 30 June 2023, the Group's intangible assets were approximately RMB277.4 million, representing a decrease of approximately 1.1% as compared to approximately RMB280.5 million as at 31 December 2022, primarily due to amortisation of intangible assets provided during the Reporting Period.

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

As at 30 June 2023, the Group's trade, bills and other receivables amounted to approximately RMB695.8 million, representing an increase of approximately 16.1% as compared to approximately RMB599.3 million as at 31 December 2022. In particular, trade and other receivables amounted to RMB691.8 million, representing an increase of approximately 15.5% as compared to approximately RMB599.1 million as at 31 December 2022. Such increase was primarily due to the business growth with respect to the property management services during the Reporting Period.

## **Contract assets**

The Group's contract assets mainly represents the Group's right to consideration for work performed but unbilled for provision of maintenance and renovation services. As at 30 June 2023, the Group's contract assets amounted to approximately RMB0.6 million, representing a decrease of approximately 77.3% from RMB2.4 million as at 31 December 2022, which was mainly due to the decrease in unbilled payments from the Group's provision of maintenance and renovation services to its customers.

## **Trade payables**

As at 30 June 2023, the Group's trade payables amounted to approximately RMB262.5 million, representing an increase of approximately 1.4% from approximately RMB258.9 million as at 31 December 2022, mainly due to (i) the expansion of the Group's business; and (ii) the increase in the Group's subcontracting costs.

## **Contract liabilities**

The Group's contract liabilities mainly represents the advance payments made by customers while the underlying services, primarily property management services, have yet to be provided and thus the relevant revenue has not been recognised. As at 30 June 2023, the Group's contract liabilities amounted to approximately RMB206.9 million, representing a decrease of approximately 9.5% from RMB228.6 million as at 31 December 2022. The Group's contract liabilities are generally higher as at the end of each year as the Group normally encourages property owners to make advanced payments for property management services to be rendered to them in the coming year in the fourth quarter of current year.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

During the Reporting Period, the Group's principal use of the cash was working capital and deposits for day-to-day operations which was mainly funded from cash flow generated from operations.

As at 30 June 2023, cash at bank and in hand of the Group was approximately RMB132.3 million, as compared with approximately RMB221.7 million as at 31 December 2022.

As at 30 June 2023, the Group's total equity amounted to approximately RMB506.6 million, representing an increase of approximately 4.7% from RMB483.7 million as at 31 December 2022, which was mainly due to the operating profit of the Group.

## **BORROWINGS AND PLEDGE OF ASSETS**

As at 30 June 2023, the Group's other loans amounting to approximately RMB3.7 million were unsecured, and interest thereof bore at 5.5% per annum. The Group did not have any pledge of assets.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group did not have any material contingent liabilities (30 June 2022: nil).

## OUTLOOK FOR THE SECOND HALF OF 2023

In the second half of 2023, the Group will continue to adhere to the corporate development strategy of “Big Property • Full Value”, further diversify its businesses, enhance internal service level, adhere to the parallel development of scale and quality, and make unremitting efforts to “become a respected urban renewal service provider with unique business value”.

### **(1) Continue to enhance the Group’s market capabilities and expand its business portfolio and scale**

In terms of market strategy, the Group will formulate customised development strategies for all cities in which it actively engaged, adopt one policy for one city, with flexible cooperation models. Meanwhile, the Group will also pay attention to changes in market demand, and plan a high-quality market development structure.

In terms of capability enhancement, the Group will improve its business communication, project negotiation, site visit, professional analysis and other capabilities of marketing personnel, strengthen communication channels for collating relevant information for projects, continue to improve the system and market toolkits, and continuously upgrade the functions of its customer relationship management system.

In terms of resources integration, the Group will coordinate and share resources amongst its operations in different regions that it operates in order for different regions to complement their respective advantages with each other, strengthen cooperation between regional and professional business units, so that the Group can broaden its market reach and diversify the types of projects that it would be able to obtain.

### **(2) Continue to improve the Group’s brand awareness, service quality and customer satisfaction**

Focusing on the life cycle needs of people and cities, the Group will continue to focus on customer satisfaction as a core, continue to upgrade service quality, and provide more detailed, comprehensive, caring and efficient property services and value-added services for diversified customers.

The Group will integrate its customer analysis meetings to realise the “three-in-one meeting” (三合一會議) and launch the “full analysis table of customer information” (客戶信息全量分析表) function to help the front line staff to perform better customer analysis and achieve better customer relationship maintenance goals in order to be able to provide personalised service to customers. The Group will strengthen its relationships with customers and interact with them more through community activities, such as Buddies Life Festival, holiday festivals and other community activities. The Group will try to create a value-added market through providing linkage platform, decoration services, lease and sales services for property owners and convenient services, such as clothing care, baking food sharing, introduction of projects and housing source, central air conditioning and floor heating and cleaning group purchase, home appliance group purchase, etc..

**(3) Continue to invest in technology empowerment to further improve the Group’s competitiveness and operational efficiency**

The Group will comprehensively deploy three smart platforms, namely “Smart Action” (慧行), “Smart Eye” (慧眼) and “Smart Connection” (慧聯), and “Smart Management” (慧管), to integrate security and surveillance, network alarm, command and dispatch, emergency management and other contents into the platform, in order to create a comprehensive and three-dimensional security smart community, and to truly achieve enhancement in quality and efficiency.

The Group will improve the supply chain cost system, enhance system application, build a comprehensive supplier management platform, strengthen cost control and improve procurement efficiency. The Group will compile a list of energy conservation and consumption reduction based on the development of new technologies in the market and excellent cases of the Company, and will continue to create profits by exploring its potential through small technological transformation and small investment in energy saving.

**(4) Continue to expand the business chain related to non-residential operation and build differentiated competitive advantages**

The Group will accelerate the development of its non-residential business, enhance IFM (integrated facility management services) capabilities, seek value-added service opportunities for non-residential projects, explore customer needs, and develop innovate service models. For corporate customers, the Group will provide comprehensive services such as facility and equipment maintenance, building repair, security, business solicitation, marketing planning, concierge customisation and sales assistance services, to meet multiple needs such as intelligent security, efficient office and business reception. For medical customers, the Group will provide comprehensive management services such as equipment and facilities maintenance and management, central transportation, medical fabric cleaning and disinfection, medical guide services, doctor-patient care, and hospital disinfection.

**(5) Continue to optimise the organisational structure, strengthen talent cultivation and cultural identity to promote the Group’s development**

In terms of optimising the organisational structure, the Group’s will promote the transformation of the organisational management and control model to the “platform + market-oriented” model, transform the functions of the headquarters to the empowerment centre, and transform the overall organisation from the original ecology to the self-ecological direction with efficient coordination.

In terms of strengthening talent development, through the Company’s in house development and external introduction of upgraded training courses, certification expansion and continuous empowerment of its lecturer team, and develop talents of all levels through the online learning platform of Dong College (東學堂) and offline training programmes such as “Original Aspiration Together” (初心薈), “Elite Together” (精英薈), “Xingyuan Together” (星原薈) and “Xingyi Together” (星翼薈).

In terms of strengthening cultural identity, the Group will promote its corporate culture through different means such as cultural posters, cultural Q & A competitions, cultural symposiums, in order to enable the Group's employees to listen, visualise, touch and experience such culture.

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

The H shares of the Company (the “**H Shares**”) were successfully listed on the Stock Exchange on 29 April 2022 (the “**Listing Date**”) with 16,666,667 new H Shares issued and, upon the partial exercise of over-allotment option, 16,990,867 H Shares were issued in aggregate. Net proceeds from initial public offering and partial exercise of over-allotment option amounted to approximately HK\$139.8 million in total, after deducting the underwriting fees and relevant expenses (the “**Net Proceeds**”). As at 30 June 2023, the Group has used approximately HK\$114.3 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 acquisitions. Please refer to the UOP Announcements for further details. The Board will continuously assess the plan for the use of the Net Proceeds and may revise or amend such plan when necessary to cope with the changing market conditions.

The table below sets out the details of actual usage of the Net Proceeds as at 30 June 2023:

Item	Percentage	Net Proceeds (HK\$ million)					Unused As at 30 June 2023	Remaining balance expected to be fully used by
		Available Net Proceeds from Listing	For the six months ended 30 June 2023	Used and up to 30 June 2023	From the Listing Date and up to 31 December 2022	From the Listing Date and up to 31 December 2022		
Strategic investments, cooperation and acquisition	65.0%	90.9	3.0	80.2	77.2	10.7	End of year 2023	
Improve service quality and extend service offering	16.5%	23.0	11.2	12.5	1.3	10.5	End of year 2023	
Upgrade and develop intelligent systems	8.5%	11.9	0.0	9.3	9.3	2.6	End of year 2023	
General working capital	10.0%	14.0	0.7	12.3	11.6	1.7	N/A	
<b>Total</b>	<b>100.0%</b>	<b>139.8</b>	<b>14.9</b>	<b>114.3</b>	<b>99.4</b>	<b>25.5</b>		

## **MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS**

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

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **EMPLOYEES**

As at 30 June 2023, the Group had 5,973 employees (31 December 2022: 5,251 employees). During the Reporting Period, the total staff costs were approximately RMB342.5 million (as at 30 June 2022: approximately RMB271.8 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.

## **CORPORATE GOVERNANCE**

The Board is responsible for performing the corporate governance duties set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 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 formulate, review and monitor the code of conduct applicable to employee and Directors, and to review the Company’s compliance with the Code and disclosure in the corporate governance report under the annual report of the Company.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by the Directors and supervisors of the Company (“**Supervisors**”).

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

## **AUDIT COMMITTEE REVIEW**

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

The primary duties of the Audit Committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iii) formulating and reviewing the Company’s policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) formulating, reviewing and monitoring the code of conduct applicable to the employees of the Group and Directors. The Audit Committee consists of three members, including Ms. Luo Shaoying, Mr. Wang Susheng and Mr. Song Deliang. The Audit Committee is chaired by Mr. Song Deliang, an independent non-executive Director who possesses appropriate professional accounting and related financial management expertise. The Audit Committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended 30 June 2023 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the Reporting Period.

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

This interim results announcement is published on the Company's website at [www.dowellservice.com](http://www.dowellservice.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by Appendix 16 to the Listing Rules 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, 18 August 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*