东原仁知
DOWELL SERVICE

DOWELL SERVICE GROUP CO. LIMITED*
東原仁知城市運營服務集團股份有限公司

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

(Stock Code: 2352)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

RETROSPECTIVE RESTATEMENT OF FINANCIAL INFORMATION OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 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 the year ended 31 December 2022. Please refer to notes 1, 3 and 19 to the 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

1. The Group's revenue was approximately RMB1,483.8 million, representing an increase of approximately 10.0% as compared with approximately RMB1,349.4 million for the year ended 31 December 2022.

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

   (a) revenue from City Operations Services was approximately RMB872.8 million, accounting for 58.8% of total revenue, representing an increase of approximately 33.0% as compared with RMB656.2 million for the year ended 31 December 2022;

(b) revenue from Lifestyle Services was approximately RMB222.0 million, accounting for 14.9% of total revenue, representing a decrease of approximately 14.4% as compared with RMB259.5 million for the year ended 31 December 2022; and

(c) revenue from FATH and Other Comprehensive Services was approximately RMB389.0 million, accounting for 26.3% of total revenue, representing a decrease of approximately 10.3% as compared with RMB433.7 million for the year ended 31 December 2022.

3. Gross profit was approximately RMB211.8 million, representing a decrease of approximately 24.0% as compared with approximately RMB278.5 million for the year ended 31 December 2022. Gross profit margin was approximately 14.3%, representing a decrease of approximately 6.3 percentage points from approximately 20.6% for the year ended 31 December 2022.

4. Profit for the Reporting Period was approximately RMB21.9 million, representing a decrease of approximately 76.2% as compared with profit of approximately RMB92.0 million for the year ended 31 December 2022. Profit for the Reporting Period attributable to shareholders of the Company was approximately RMB19.0 million, representing a decrease of approximately 78.6% as compared with profit attributable to shareholders of approximately RMB88.5 million for the year ended 31 December 2022.

5. The Board recommended the declaration of a Final Dividend of RMB0.03 per share (tax inclusive) for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB0.14 per share (tax inclusive)).

The board (the “**Board**”) of directors (the “**Directors**”) of DOWELL SERVICE GROUP CO. LIMITED* 東原仁知城市運營服務集團股份有限公司 (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 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 comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000* (Restated, *Note 19(a)*)
Revenue	*6*	**1,483,834**	1,349,412
Cost of sales		**(1,272,057)**	(1,070,900)
Gross profit		**211,777**	278,512
Selling and marketing expenses		**(37,026)**	(32,253)
Administrative expenses		**(154,771)**	(149,074)
Net impairment losses on financial assets		**(9,248)**	(24,079)
Other income	*8*	**7,461**	18,944
Other (losses)/gains, net	*9*	**(927)**	9,270
Operating profit		**17,266**	101,320
Finance income		**789**	290
Finance costs		**(840)**	(536)
Finance costs, net	*10*	**(51)**	(246)
Share of results of investments accounted for using the equity method		**7,506**	6,931
Profit before income tax expense		**24,721**	108,005
Income tax expense	*11*	**(2,799)**	(16,052)
Profit for the year		**21,922**	91,953
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**18,967**	88,514
– Non-controlling interests		**2,955**	3,439
		21,922	91,953
		RMB	*RMB*
Earnings per share			
– Basic and diluted *(RMB)*	*12*	**0.28**	1.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated, Note 19(a))
Non-current assets			
Property, plant and equipment	*14*	**30,993**	34,408
Right-of-use assets		**15,471**	8,048
Intangible assets	*15*	**273,498**	280,474
Deferred income tax assets		**19,560**	13,143
Long-term prepayments		**4,324**	4,216
Contract costs		**13,984**	11,819
Investments accounted for using the equity method		**20,705**	19,774
		378,535	371,882
Current assets			
Contract assets	*6*	**1,439**	2,432
Dividend receivables		**9,900**	7,024
Trade, bills and other receivables	*16*	**674,529**	599,334
Inventories		**43,046**	40,032
Prepayments		**30,590**	27,042
Current income tax receivables		**1,372**	619
Restricted cash		**352**	670
Cash and cash equivalents		**255,368**	221,739
		1,016,596	898,892
Current liabilities			
Trade payables	*18*	**292,664**	258,888
Borrowings		**9,262**	–
Accruals and other payables	*18*	**280,575**	264,093
Contract liabilities	*6*	**280,579**	228,604
Lease liabilities		**5,967**	4,148
Financial liabilities at fair value through profit or loss		**1,000**	2,000
Current income tax liabilities		**4,514**	8,162
		874,561	765,895
Net current assets		**142,035**	132,997
Total assets less current liabilities		**520,570**	504,879

	Notes	2023 RMB'000	2022 RMB'000 (Restated, *Note 19(a)*)
Non-current liabilities			
Lease liabilities		**9,495**	4,027
Financial liabilities at fair value through profit or loss		**1,000**	2,000
Deferred income tax liabilities		**16,636**	15,191
		27,131	21,218
Net assets		**493,439**	483,661
Capital and reserves			
Share capital	*17*	**66,991**	66,991
Reserves		**229,085**	218,427
Retained earnings		**176,206**	177,123
Equity attributable to owners of the Company		**472,282**	462,541
Non-controlling interests		**21,157**	21,120
Total equity		**493,439**	483,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Dowell Service Group Co. Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 13 January 2015 as a limited liability company. Upon approval by the shareholders' general meeting held on 13 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name to "Dowell Service Group Co. Limited*（東原仁知城市運營服務集團股份有限公司）"on 30 December 2020.

The address of the Company's registered office and its principal place of business address is Room 206, Commercial Building, B-1, No. 108, Baihe Road, Nanping Town, Nan'an District, Chongqing, PRC.

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

During the year ended 31 December 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 a business combination under common control (Note 19(a)).

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

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

(a) Adoption of new or amended HKFRSs – effective 1 January 2023

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
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKFRS 17	Insurance Contracts

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

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

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

Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[1]
Amendments to HKAS21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025

Amendments to HKAS 1, Non-current Liabilities with Covenants

The Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist 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. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification.

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

Amendments to HKAS 21, Lack of Exchangeability

The Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate the comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company. All values in the consolidated financial statements are rounded to the nearest thousand except when otherwise indicated.

(d) Application of 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. 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 consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Allowance on doubtful receivables

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

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

(b) Current and deferred income tax

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

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

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

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

(d) Estimation of the useful life of customer relationships

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

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

(e) Fair value measurement

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

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

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

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

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

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

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

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

(g) Estimated incremental borrowing rate for leases

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

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

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

(i) Net realisable value of inventories

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

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

5. SEGMENT INFORMATION

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

For better identification of the revenue, the Group uses the categories of city operations services, lifestyle services, and FATH and other comprehensive services to interpret the property management services, community value-added services, and value-added services to non-property owners correspondingly.

During the year, the Group is principally engaged in the provision of city operations services, lifestyle services, and FATH and other comprehensive services. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

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

As at 31 December 2023 and 2022, all of the assets of the Group were located in the PRC.

6. REVENUE

Revenue mainly comprises proceeds from the 3 categories of city operations services, lifestyle services and FATH and other comprehensive services. An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 are as follows:

	2023	**2023**	2022	2022
	Revenue	**Cost of sales**	Revenue	Cost of sales
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Revenue from customer and recognised over time				
City operations services	**872,773**	**767,858**	656,213	537,621
Lifestyle services	**146,893**	**114,896**	143,932	111,259
FATH and other comprehensive services	**372,913**	**317,715**	406,864	311,500
	1,392,579	**1,200,469**	1,207,009	960,380
Revenue from customer and recognised at point in time				
Lifestyles services	**75,135**	**59,052**	115,523	90,049
FATH and other comprehensive services	**16,120**	**12,536**	26,880	20,471
	91,255	**71,588**	142,403	110,520
	1,483,834	**1,272,057**	1,349,412	1,070,900
Revenue recognised on gross basis/net basis:				
Revenue recognised on gross basis	**1,462,709**	**1,251,032**	1,307,734	1,030,187
Revenue recognised on net basis	**21,125**	**21,025**	41,678	40,713
	1,483,834	**1,272,057**	1,349,412	1,070,900

For the years ended 31 December 2023 and 2022, revenue from related parties contributed to 10.7% and 18.6% of the Group's revenue, respectively. Other than entities controlled by Dima Holdings and joint ventures and associates of Dima Holdings, none of the customers contributed 10% or more of the Group's revenue during the year.

(a) Contract assets and liabilities

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

	2023	2022
	RMB'000	*RMB'000*
Contract assets		
– FATH and other comprehensive services	**1,439**	2,432

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Contract liabilities		
– City operations services	**239,294**	181,906
– Lifestyle services	**36,205**	42,856
– FATH and other comprehensive services	**5,080**	3,842
	280,579	228,604

(b) Significant changes in contract assets and liabilities

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

(c) Revenue recognised in relation to contract liabilities

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

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– City operations services	**181,906**	140,922
– Lifestyle services	**42,856**	49,861
– FATH and other comprehensive services	**3,842**	3,849
	228,604	194,632

(d) Unsatisfied performance obligations

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

	2023	2022
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term pre-delivery services that are partially or fully unsatisfied	**17,569**	14,172

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

	2023		2022	
	RMB'000		***RMB'000***	
Less than 1 financial year	**16,437**	**94%**	12,555	89%
1 to 2 financial years	**1,132**	**6%**	1,411	10%
2 to 3 financial years	**–**	**–%**	206	1%
	17,569		14,172	

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

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

(e) Contract costs

(i) Assets recognised from incremental costs to obtain contracts

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

	2023	2022
	RMB'000	*RMB'000*
Assets recognised from incremental costs to obtain a contract	**13,984**	11,819
Amortisation recognised as cost of providing services	**7,811**	4,472

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

7. EXPENSES BY NATURE

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Amortisation of intangible assets *(Note 15)*	**13,066**	10,364
Auditors' remuneration		
– Audit services	**1,800**	1,750
Bank charges	**2,952**	2,307
Cleaning costs	**179,855**	156,566
Community activity expense	**5,385**	4,142
Cost of selling parking spaces	**2,166**	6,308
Costs of consumables	**44,101**	40,088
Depreciation of property, plant and equipment *(Note 14)*	**16,206**	12,363
Depreciation of right-of-use assets	**6,032**	4,709
Employee benefit expenses	**709,251**	628,404
Greening and gardening costs	**19,897**	16,882
Maintenance costs	**97,864**	70,078
Office expenses	**12,151**	10,222
Other expenses	**49,502**	47,568
Other taxes	**5,341**	4,946
Professional expenses	**29,474**	24,051
Promotion expenses	**6,420**	9,099
Provision for impairment on inventories	**1,333**	4,775
Security costs	**175,366**	128,098
Short-term lease expenses	**11,478**	11,843
Travel and entertainment expenses	**13,448**	11,718
Utilities	**60,766**	45,946
	1,463,854	1,252,227

8. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Government subsidies	**7,461**	18,944

Government subsidies represented mainly rewards from local government without attached conditions.

9. OTHER (LOSSES)/GAINS, NET

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Net gains/(losses) from disposal of property, plant and equipment	**51**	(241)
Net (losses)/gains from disposal of right-of-use assets	**(13)**	6
Net exchange (losses)/gains	**(290)**	6,350
Gain on re-measurement of previous held equity interest *(Note 19(b))*	**–**	3,174
Others	**(675)**	(19)
	(927)	9,270

10. FINANCE COSTS, NET

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Finance income:		
– Bank interest income	**789**	290
Finance cost:		
– Interest expenses on borrowings	**(166)**	–
– Interest expenses on factoring arrangements	**(161)**	(97)
– Interest expenses on lease liabilities	**(513)**	(439)
	(840)	(536)
Finance costs, net	**(51)**	(246)

11. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current tax – PRC Enterprise Income Tax (the "**PRC EIT**")		
– for the year	**6,703**	22,121
– under-provision in prior year	**1,068**	1,087
	7,771	23,208
Deferred income tax		
– credited for the year	**(4,972)**	(7,156)
	2,799	16,052

12. EARNINGS PER SHARE

(a) Basic

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

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the year ended 31 December 2023 was based on 66,990,867 shares of the Company issued throughout the year ended 31 December 2023.

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

	2023	2022
		(Restated)
Profit attributable to owners of the Company *(RMB'000)*	**18,967**	88,514
Weighted average number of ordinary shares in issue *(in thousands)*	**66,991**	61,475
Basic earnings per share for profit attributable to equity owners of the Company during the year *(expressed in RMB per share)*	**0.28**	1.44

(b) Diluted

Diluted earnings per share amount as the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2023 and 2022.

13. DIVIDENDS

	2023 *RMB'000*	2022 *RMB'000*
Dividend recognised as distribution during the year:		
2022 final dividend of RMB0.14 per share	**9,379**	–

The final dividend of RMB0.03 in respect of the year ended 31 December 2023 (2022: RMB0.14) per share, amounting to approximately RMB2,010,000 (2022: RMB9,379,000) has been recommended by the Board and will be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

As at 31 December 2023 and 2022, there was no dividend payable.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	**Electronic equipment** *RMB'000*	**Furniture and fixtures** *RMB'000*	**Vehicles** *RMB'000*	**Leasehold improvements** *RMB'000*	**Total** *RMB'000*
Cost						
At 1 January 2022 (Restated)	643	28,486	2,582	1,676	6,332	39,719
Additions (Restated)	–	4,590	331	402	17,883	23,206
Acquired through business combination	–	182	64	4,135	–	4,381
Disposals/written-off	–	(1,080)	(70)	(382)	–	(1,532)
At 31 December 2022 (Restated)	643	32,178	2,907	5,831	24,215	65,774
Additions	–	4,202	377	2,788	5,935	13,302
Disposals/written–off	–	(2,143)	(133)	(268)	–	(2,544)
At 31 December 2023	643	34,237	3,151	8,351	30,150	76,532
Depreciation and impairment						
At 1 January 2022 (Restated)	122	15,175	1,550	1,056	2,192	20,095
Provided for the year (Restated)	21	5,226	146	260	6,710	12,363
Eliminated on disposals/written-off	–	(711)	(51)	(330)	–	(1,092)
At 31 December 2022 (Restated)	143	19,690	1,645	986	8,902	31,366
Provided for the year	21	4,536	449	1,133	10,067	16,206
Eliminated on disposals/written-off	–	(1,678)	(123)	(232)	–	(2,033)
At 31 December 2023	164	22,548	1,971	1,887	18,969	45,539
Carrying values						
At 31 December 2023	479	11,689	1,180	6,464	11,181	30,993
At 31 December 2022 (Restated)	500	12,488	1,262	4,845	15,313	34,408

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Cost of sales	**12,675**	9,340
Administrative expenses	**2,635**	2,343
Selling and marketing expenses	**896**	680
	16,206	12,363

No property, plant and equipment were restricted or pledged for the Group's borrowings as at 31 December 2023 and 2022.

15. INTANGIBLE ASSETS

	Software	**Customer relationships**	**Goodwill**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Cost				
At 1 January 2022 (Restated)	6,159	39,053	76,729	121,941
Additions (Restated)	6,133	–	–	6,133
Acquired through business combinations	127	56,535	112,178	168,840
At 31 December 2022 (Restated)	12,419	95,588	188,907	296,914
Additions	6,090	–	–	6,090
At 31 December 2023	18,509	95,588	188,907	303,004
Depreciation and impairment				
At 1 January 2022 (Restated)	1,028	5,048	–	6,076
Provided for the year (Restated)	2,254	8,110	–	10,364
At 31 December 2022 (Restated)	3,282	13,158	–	16,440
Provided for the year	2,110	10,956	–	13,066
At 31 December 2023	5,392	24,114	–	29,506
Carrying values				
At 31 December 2023	13,117	71,474	188,907	273,498
At 31 December 2022 (Restated)	9,137	82,430	188,907	280,474

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 (Note 19(b)). 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 19(b). 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.

16. TRADE, BILLS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Trade and bills receivables		
Trade receivables due from related parties	**306,750**	287,980
Trade receivables due from third parties	**373,993**	310,541
Bills receivables due from related parties	**–**	547
	680,743	599,068
Less: Provision for impairment of trade and bills receivables	**(43,282)**	(34,069)
	637,461	564,999
Other receivables		
Other receivables due from related parties	**1,116**	1,427
Other receivables due from third parties		
– Payments on behalf of property owners	**4,459**	6,319
– Deposits	**19,831**	15,173
– Advances to employees	**6,132**	5,127
– Others	**6,557**	7,281
	38,095	35,327
Less: Provision for impairment of other receivables	**(1,027)**	(992)
	37,068	34,335
	674,529	599,334

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

(i) The ageing analysis of trade and bills receivables, based on the invoice date as of the end of the reporting period is as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Less than 1 year	**419,780**	479,844
1 to 2 years	**202,748**	96,407
2 to 3 years	**41,954**	14,039
Over 3 years	**16,261**	8,778
	680,743	599,068

As at 31 December 2023, the net carrying amount of trade and bills receivables amounts to RMB637,461,000 (2022: RMB564,999,000). The Group's maximum exposure to credit risk was the carrying value of each class of trade, bills and other receivables mentioned above less RMB59,090,000 (2022: RMB59,090,000) of trade receivables secured by certain of commercial properties pledged by a related party.

In respect of the secured trade receivables with the carrying amount of RMB59,090,000 (2022: RMB59,090,000), the fair value of collateral of such trade receivables can be objectively ascertained to cover the outstanding amount of balances based on market value of collateral.

Management requests additional collateral as appropriate and monitors the market value of collateral during its review of the adequacy of the impairment allowance. The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty.

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

It is the Group's policy to dispose of repossessed properties. The proceeds are used to reduce or repay the outstanding balances. In general, the Group does not retain repossessed properties for business purposes. As at 31 December 2023, the Group did not hold any repossessed properties (2022: Nil).

The Group is entitled to sell or repledge collateral when there is default by the customers. There have not been any significant changes in the quality of collateral held for trade and bills receivables. The main type of collateral obtained is the commercial properties located in the PRC. The impairment provision has taken into account the credit quality of the underlying assets, the financial strength of the borrowers as well as collateral and other credit enhancements.

As at 31 December 2023 and 2022, the fair values of short-term trade and other receivables approximated their carrying amounts due to their short-term maturities.

17. SHARE CAPITAL AND PAID-IN CAPITAL

	At 31 December 2023		At 31 December 2022	
	Number	**Amount**	**Number**	**Amount**
	'000	***RMB'000***	***'000***	***RMB'000***
Shares				
Domestic Shares of RMB1 each	–	–	30,510	30,510
Unlisted Foreign Shares of RMB1 each	–	–	19,490	19,490
H shares of RMB1 each	**66,991**	**66,991**	16,991	16,991
	66,991	**66,991**	66,991	66,991

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

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

Notes:

(i) 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.

(iii) On 31 March 2023, the Company received the "Approval for the Offshore Listing of Unlisted Domestic Shares of Dowell Service Group Co. Limited" from China Securities Regulatory Commission (the "**CSRC**"), pursuant to which the CSRC approved the conversion of a total 30,510,000 domestic shares and 19,490,000 unlisted foreign shares amounting to 50,000,000 shares into H shares. The Company applied to the Listing Committee of the Stock Exchange for approval (the "**Listing Approval**") of the listing of and permission to deal in 50,000,000 H shares. The Listing Approval was granted by the Stock Exchange on 28 June 2023 and the Company completed the conversion of 50,000,000 unlisted shares into H shares on 31 August 2023 and listed such H shares on the Stock Exchange on 1 September 2023.

18. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Trade payables		
Trade payables due to related parties	**8,149**	14,401
Trade payables due to third parties		
– Payables for labor costs	**212,075**	182,074
– Payables for construction costs	**23,214**	36,462
– Payables for consumables	**49,226**	25,951
	292,664	258,888
Accruals and other payables		
Accruals and other payables due to related parties	**13,755**	16,202
Accruals and other payables due to third parties		
– Outstanding cash consideration payable for business combinations	**5**	56
– Employee benefit payables	**81,130**	80,743
– Deposits	**57,169**	58,293
– Temporary receipts from property owners	**27,391**	27,819
– Other taxes payables	**29,859**	21,365
– Dividend payable to the original shareholders of the acquired subsidiaries	**6,139**	5,386
– Cash collected on behalf of property owners	**51,595**	45,775
– Accrued operating expenses	**11,880**	7,963
– Others	**1,652**	491
	280,575	264,093

As at 31 December 2023 and 2022, the ageing analysis of the trade payables of the Group based on invoice date is as follows:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Less than 1 year	**235,282**	226,751
1 to 2 years	**36,674**	27,069
2 to 3 years	**16,468**	5,068
Over 3 years	**4,240**	–
	292,664	258,888

19. BUSINESS COMBINATIONS

(a) Business combinations 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 consolidated statement of financial position as at 31 December 2022 and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 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 RMB2,208,000 and RMB2,208,000 respectively.

The effect of merger accounting restatement described above on the consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2022 by line items is as follows:

	31 December 2022 *RMB'000*	Merger accounting adjustment *RMB'000*	31 December 2022 *RMB'000* (Restated)
Revenue	1,342,459	6,953	1,349,412
Cost of sales	(1,066,833)	(4,067)	(1,070,900)
Gross profit	275,626	2,886	278,512
Selling and marketing expenses	(30,872)	(1,381)	(32,253)
Administrative expenses	(145,310)	(3,764)	(149,074)
Net impairment losses on financial assets	(24,107)	28	(24,079)
Other income	18,787	157	18,944
Other gains, net	9,274	(4)	9,270
Operating profit	103,398	(2,078)	101,320
Finance income	288	2	290
Finance costs	(536)	–	(536)
Finance costs, net	(248)	2	(246)
Share of results of investments accounted for using the equity method	6,931	–	6,931
Profit before income tax expense	110,081	(2,076)	108,005
Income tax expense	(15,920)	(132)	(16,052)
Profit for the year	94,161	(2,208)	91,953
Profit and total comprehensive income for the year attributable to:			
Owner of the Company	90,722	(2,208)	88,514
Non-controlling interests	3,439	–	3,439
	94,161	(2,208)	91,953
Earnings per share – Basic and diluted *(RMB)*	1.48		1.44

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

	As at 31 December 2022 *RMB'000*	Merger accounting adjustment *RMB'000*	As at 31 December 2022 *RMB'000* (Restated)
Non-current assets			
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
Total non-current assets	369,621	2,261	371,882
Current assets			
Contract assets	2,432	–	2,432
Dividends receivables	7,024	–	7,024
Inventories	40,032	–	40,032
Trade, bills and other receivables	599,620	(286)	599,334
Prepayments	21,069	5,973	27,042
Current income tax receivables	600	19	619
Restricted cash	670	–	670
Cash and cash equivalents	220,381	1,358	221,739
Total current assets	891,828	7,064	898,892
Total assets	1,261,449	9,325	1,270,774
Capital and reserves attributable to owners of the Company			
Share capital	66,991	–	66,991
Reserves	212,370	6,057	218,427
Retained earnings	185,426	(8,303)	177,123
Equity attributable to owners of the Company	464,787	(2,246)	462,541
Non-controlling interests	21,120	–	21,120
TOTAL EQUITY	485,907	(2,246)	483,661

	As at 31 December 2022 *RMB'000*	Merger accounting adjustment *RMB'000*	As at 31 December 2022 *RMB'000* (Restated)
Non-current liabilities			
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
Total non-current liabilities	21,218	–	21,218
Current liabilities			
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
Total current liabilities	754,324	11,571	765,895
Total liabilities	775,542	11,571	787,113
Total equity and liabilities	1,261,449	9,325	1,270,774

(b) Business combinations not under common control

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

(i) Zhejiang Zhongdu

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

	Book value	Adjustment	Fair value
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	242	441	683
Intangible assets	–	30,600	30,600
Long-term prepayments	517	–	517
Deferred income tax assets	23	–	23
Inventories	147	–	147
Trade, bills and other receivables	13,139	(38)	13,101
Prepayments	1,136	(42)	1,094
Cash and cash equivalents	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)
Total net assets	(11,482)	26,317	14,835
Fair value of consideration paid			
Cash consideration			79,500
Goodwill *(Note 15)*			64,665

Acquisition costs of RMB400,000 arose as a result of the transaction. These were recognised as part of administrative expenses in the consolidated statement of profit or loss and other 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 contributed revenue of RMB61,981,000 and net profit of RMB4,282,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,393,754,000 and group profit for the year ended 31 December 2022 would have been RMB92,884,000.

(ii) *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.

	Book value	Adjustment	Fair value
	RMB'000	*RMB'000*	*RMB'000*
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, bills 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)
Total net assets	10,014	15,808	25,822
Less: non-controlling interests			(5,163)
Net assets acquired			20,659
Fair value of consideration paid			
Cash consideration			61,700
Goodwill *(Note 15)*			41,041

Acquisition costs of RMB320,000 arose as a result of the transaction. These were recognised as part of administrative expenses in the consolidated statement of profit or loss and other 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 contributed revenue of RMB40,550,000 and net profit of RMB6,379,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,379,073,000 and group profit for the year ended 31 December 2022 would have been RMB91,653,000.

(iii) Mianyang Ruisheng

On 1 April 2022, Chongqing Xindongyuan, agreed with a shareholder of a joint venture, Mianyang Ruisheng, to obtain 1% voting right of the Mianyang Ruisheng with no consideration which the shares are owned by that shareholder. After the arrangement, Chongqing Xindongyuan owned 51% voting right. According to the article 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 *RMB'000*	Adjustment *RMB'000*	Fair value *RMB'000*
Property, plant and equipment	232	–	232
Intangible assets	–	7,760	7,760
Long-term prepayments	1,049	–	1,049
Deferred income tax assets	2	–	2
Inventories	28	–	28
Trade, bills and other receivables	5,040	–	5,040
Cash and cash equivalents	16,252	–	16,252
Trade payables	(1,591)	–	(1,591)
Accruals and other payables	(6,363)	–	(6,363)
Contract liabilities	(9,785)	–	(9,785)
Deferred income tax liabilities	–	(1,164)	(1,164)
Total net assets	4,864	6,596	11,460
Less: non-controlling interests			(5,730)
Net assets acquired			5,730
Fair value of consideration paid			
Cash consideration			–
Carrying amount of previously held equity interest			9,028
Gain on re-measurement of previously held equity interest *(Note 9)*			3,174
Fair value of previously held equity interest			12,202
Goodwill *(Note 15)*			6,472

Acquisition costs of RMB45,000 arose as a result of the transaction. These were recognised as part of administrative expenses in the consolidated statement of profit or loss and other 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 contributed revenue of RMB23,116,000 and net profit of RMB3,421,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,355,185,000 and group profit for the year ended 31 December 2022 would have been RMB92,204,000.

Net cash outflows arising on the acquisition transactions:

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

20. COMPARATIVE FIGURES

During the year, the Group has re-grouped the business services into 3 categories, namely city operations services, lifestyle services and FATH and other comprehensive services. The medical-related services amounting to RMB67,886,000 (2022: RMB27,529,000) and the foreign-related services amounting to RMB177,159,000 (2022: RMB156,040,000) are reallocated to FATH and other comprehensive services.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary and review for 2023

In 2023, against the backdrop of (i) the fluctuating macroeconomic environment; (ii) the continuous downturn in the property industry; and (iii) the increasingly fierce market competition, while deeply cultivating the residential market, the Group adhered to the market-oriented transformation, actively expanded its non-residential related business, innovated service models, and established differentiated competitive advantages. The Group focused on "customer satisfaction" as its standard of service, and stepped up efforts to provide services in a more specialised, product-based, refined and intelligent manner. As at 31 December 2023, the Group operated and managed property projects in 76 cities, with 573 projects under management in the People's Republic of China (the "**PRC**"), representing a year-on-year increase of approximately 18.9%. The total gross floor area ("**GFA**") under management was approximately 60.2 million square metres ("**sq.m.**"), representing a year-on-year increase of approximately 19.0%. During the Reporting Period, the Group entered into 595 property management projects with contracted GFA under management of approximately 68.0 million sq.m. in 78 cities.

The Group adheres to the service concept of "For Every Moment of Peace of Mind", the vision of "becoming a respected urban 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 IFM (integrated facility management services) professional 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 two places to 16th, as compared with 2022.

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.

On 18 October 2023, the Board resolved to reclassify the Group's three main business lines to enable the shareholders of the Company (the "**Shareholders**") to have a better understanding of the Company's business operation status and financial performance going forward. Please refer to the announcement of the Company dated 18 October 2023 in relation to, among others, the reclassification of the Group's three main business lines for details. The Group provides diversified services through three main business lines:

1. property management services to residential and local non-residential properties, including security services, cleaning services, gardening services, facility management services and maintenance services (collectively, "**City Operations Services**");

2. lifestyle services, including, among others:

   (a) organising events for residents and property developers ("**Community Events Planning Services**");

   (b) providing (i) car parking spaces management services, including but not limited to, entry or exit control, cleaning, surveillance and collection of parking fees; and (ii) car parking spaces and property sales services, including but not limited to, providing marketing and sales services for car parking spaces and property located at property projects sourced from Dima Group (as defined below) and Affiliated Companies (as defined below) (including associates of Dima Group) ("**Management and Agency Services**");

   (c) utility maintenance services; and

   (d) other lifestyle related services

   (collectively, "**Lifestyle Services**"); and

3. services provided to foreign-owned enterprises, foreign embassies, international schools, hospitals and medical facilities, as well as other comprehensive services, including, among others:

   (a) providing property management services to foreign-owned enterprises, foreign embassies, international schools, hospitals and medical facilities (including security services, cleaning services, facility management services and maintenance services) ("**Foreign and Medical Related Services**");

   (b) assisting in property sales activities, which include visitor reception, cleaning, security inspection, maintenance and other customer-related services ("**Sales Assistance Services**");

   (c) providing advisory services on the overall project design and planning and coordination of pre-sale activities ("**Preliminary Planning Services**");

(d) digital and intelligent technology services;

(e) maintenance and rectification services; and

(f) other related comprehensive services

(collectively, "**FATH and Other Comprehensive Services**").

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

City Operations Services

Overview

The Group manages residential and non-residential properties sourced from Dima Group and Affiliated Companies. In addition, through proactive tender and bidding, and mergers and acquisitions, the Group has been expanding its business scale by increasing the number of residential properties and non–residential properties sourced from Independent Third Parties (as defined below). During the Reporting Period, the Group's revenue from City Operations Services amounted to approximately RMB872.8 million, representing an increase of approximately 33.0%, as compared to the corresponding period of 2022, which is mainly due to the expansion of GFA under management by approximately 20.2% as compared with the same of last year.

Continuous growth in business scale and expansion in property portfolio

The Group adheres to solidify its market position and expand its property portfolio and business scale through multiple channels, such as organic growth and strategic acquisitions and investment. During the Reporting Period, leveraging the close relationship with Dima Group, one of the Company's controlling Shareholders, the GFA under management of projects sourced from Dima Group reached approximately 16.8 million sq.m., representing an increase by approximately 9.2% as compared to the same as at 31 December 2022. The GFA under management of projects sourced from Independent Third Parties reached approximately 32.0 million sq.m., representing an increase by approximately 26.9% as compared to the same as at 31 December 2022.

By source of property projects:

The table below sets out the Group's total revenue from City Operations Services during the two years ended 31 December 2023, and GFA under management and number of projects based on the sources from which the Group obtained the relevant property projects as at 31 December 2022 and 2023:

	Year ended 31 December 2023		**As at 31 December 2023**		Year ended 31 December 2022		As at 31 December 2022	
	Revenue	**(%)**	**Number of projects**	**GFA under management[5]**	Revenue	(%)	Number of projects (restated after reclassification of business lines)	GFA under management[5] (restated after reclassification of business lines)
	(RMB'000)			***('000 sq.m.)***	(restated) *(RMB'000)*			*('000 sq.m.)*
Property projects sourced from Dima Group[1][2]	**418,390**	**47.9**	**99**	**16,780**	371,230	56.6	90	15,371
Property projects sourced from Affiliated Companies[1][3]	**49,563**	**5.7**	**20**	**3,909**	41,425	6.3	17	3,243
Property projects sourced from Independent Third Parties[1][4]	**404,820**	**46.4**	**228**	**31,950**	243,558	37.1	169	25,175
Total	**872,773**	**100.0**	**347**	**52,639**	656,213	100.0	276	43,789

Notes:

1. The above breakdown of revenue generated from the provision of City Operations Services is based on the sources from which the Group obtained the relevant property projects instead of the sources which the Group derived revenue from. For example, for a property project sourced from Dima Group, the Group may derive income from Dima Group, property owners and property owners' associations at different stages, depending on factors such as whether residential properties have been delivered to property owners and whether property owners' associations have been established.

2. Dima Group refers to Dima Holdings Co., Ltd.* (重慶市迪馬實業股份有限公司) ("**Dima**") and companies formed by Dima and/or its subsidiary(ies) with other Independent Third Party(ies) (as defined below) which Dima held a controlling interest.

3. Affiliated Companies refers to companies that engaged the Group to provide services and are (i) formed by Dima Group (including the Group) and independent third party(ies) in which Dima Group does not hold any controlling interests and are not consolidated entities of Dima Group; and (ii) held directly by Mr. Lo Siu Yu, Chongqing Doyen Holdings Group Co., Ltd.* (重慶東銀控股集團有限公司), Ms. 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).

4. Independent Third Parties refers to enterprises which are not part of Dima Group or Affiliated Companies, including, among others, third-party developers, property owners' associations and individual property owners.

5. This includes GFA where the City Operations Services were provided by joint ventures and/or associate companies of the Group. As at 31 December 2023, the total GFA under management of property projects managed by joint ventures and/or associate companies of the Group were approximately 4.0 million sq.m.

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

As at 31 December 2023, the Group's GFA under management of residential properties was approximately 37.1 million sq.m, accounting for approximately 70.5% of the Group's City Operations Services's GFA under management. The share of residential properties in the Group's GFA under management decreased by approximately 2.5% as compared to the same period in 2022.

As at 31 December 2023, the Group's GFA under management of non-residential properties was approximately 15.5 million sq.m, accounting for approximately 29.5% of the Group's City Operations Services's GFA under management. The share of non-residential properties in the Group's GFA under management increased by approximately 2.5% as compared to the same period in 2022.

The table below sets out the Group's total revenue from City Operations Services during the two years ended 31 December 2023, and GFA under management and number of projects as at 31 December 2022 and 2023:

	Year ended 31 December 2023		**As at 31 December 2023**		Year ended 31 December 2022		As at 31 December 2022	
	Revenue	**%**	**Number of projects**	**GFA under management**	Revenue (restated)	%	Number of projects (restated after reclassification of business lines)	GFA under management (restated after reclassification of business lines)
	(RMB'000)			***('000 sq.m.)***	*(RMB'000)*			*('000 sq.m.)*
Residential properties	**603,746**	**69.2**	**229**	**37,106**	505,139	77.0	193	31,985
Non-residential properties	**269,027**	**30.8**	**118**	**15,533**	150,984	23.0	83	11,804
Total	**872,773**	**100.0**	**347**	**52,639**	656,213	100.0	276	43,789

Continuous expansion in geographic presence

By geographic presence:

As at 31 December 2023, the Group operated across China and managed 347 property projects with an aggregated GFA under management of approximately 52.6 million sq.m. in 60 cities in China and were contracted to manage 369 property projects with an aggregated GFA of approximately 60.4 million sq.m. in 62 cities.

The table below sets out the Group's total revenue from City Operations Services during the two years ended 31 December 2023, and GFA under management and number of projects as at 31 December 2022 and 2023:

	Year ended 31 December 2023	**As at 31 December 2023**		Year ended 31 December 2022	As at 31 December 2022	
	Revenue	**Number of projects**	**GFA under management**	Revenue (restated)	Number of projects (restated after reclassification of business lines)	GFA under management (restated after reclassification of business lines)
	(RMB'000)		***('000 sq.m.)***	*(RMB'000)*		*('000 sq.m.)*
Chongqing	**235,305**	**83**	**10,748**	194,090	68	8,724
Sichuan Province	**166,229**	**67**	**10,187**	133,702	51	7,495
Hubei Province	**129,573**	**39**	**7,851**	112,292	31	7,447
Shanghai	**32,469**	**11**	**1,296**	34,826	13	1,483
Zhejiang Province	**101,782**	**43**	**5,818**	70,042	42	5,157
Jiangsu Province	**31,039**	**13**	**1,862**	30,411	9	1,497
Hunan Province	**91,377**	**37**	**8,629**	43,564	27	8,914
Others	**84,999**	**54**	**6,248**	37,286	35	3,072
Total	**872,773**	**347**	**52,639**	656,213	276	43,789

Lifestyle Services

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

During the Reporting Period, revenue derived from Lifestyle Services decreased by approximately 14.4% to approximately RMB222.0 million as compared to approximately RMB259.5 million in the same period last year, mainly due to the unfavourable macroeconomic environment resulting in the Group's customers being less willing to purchase properties in the PRC, resulting in a significant decrease in the Group's revenue derived from the provision of (i) Management and Agency Services; and (ii) Community Events Planning Services.

During the Reporting Period, revenue derived from Lifestyle Services accounted for approximately 14.9% of total revenue representing a decrease of approximately 4.3% as compared with the same period of 2022.

FATH and Other Comprehensive Services

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

The table below sets out the Group's revenue attributable to FATH and Other Comprehensive Services for the two years ended 31 December 2023, including the respective GFA under management and number of projects based on each Foreign and Medical Related Services categories and other categories under FATH and Other Comprehensive Services as at 31 December 2022 and 2023:

	Year ended 31 December 2023		**As at 31 December 2023**		Year ended 31 December 2022		As at 31 December 2022	
	Revenue		**Number of projects**	**GFA under management**	Revenue (restated)		Number of projects (restated after reclassification of business lines)	GFA under management (restated after reclassification of business lines)
	(RMB'000)	***(%)***		***('000 sq.m.)***	*(RMB'000)*	*(%)*		*('000 sq.m.)*
Comprehensive foreign affairs related services	**177,159**	**45.5**	**185**	**5,889**	156,040	36.0	158	4,994
Comprehensive medical related services	**71,596**	**18.4**	**41**	**1,671**	61,784	14.2	48	1,790
Comprehensive digital and intelligent technology services	**23,029**	**5.9**	**–**	**–**	6,953	1.6	–	–
Comprehensive consultation management services	**117,249**	**30.2**	**–**	**–**	208,967	48.2	–	–
Total	**389,033**	**100.0**	**226**	**7,560**	433,744	100.0	206	6,784

As at 31 December 2023, the Group's GFA under management for comprehensive foreign affairs related services was approximately 5.9 million sq.m.. As at 31 December 2023, the Group's GFA under management for comprehensive medical related services was approximately 1.7 million sq.m..

During the Reporting Period, revenue derived from comprehensive foreign affairs related services increased by approximately 13.5% to approximately RMB177.2 million as compared to approximately RMB156.0 million in the same period last year, mainly due to the continuous expansion in the Group's business, including the increase in the number of property projects and GFA under management for such services during the Reporting Period.

During the Reporting Period, revenue derived from comprehensive medical related services increased by approximately 15.9% to approximately RMB71.6 million as compared to approximately RMB61.8 million in the same period last year, mainly due to the expansion of the Group's comprehensive medical related services in hospitals.

During the Reporting Period, revenue derived from comprehensive digital and intelligent technology services increased by approximately 231.2% to approximately RMB23.0 million as compared to approximately RMB7.0 million in the same period last year, mainly due to (i) the Group's active expansion in its business during the Reporting Period; and (ii) the return to normality in the construction rate of projects after the end of the COVID-19 pandemic.

During the Reporting Period, revenue derived from comprehensive consultation management services decreased by approximately 43.9% to approximately RMB117.2 million as compared to approximately RMB209.0 million in the same period last year, mainly due to the decrease in completion of the Group's provision of, among others, Sales Assistance Services, Preliminary Planning Services and maintenance and rectification services during the Reporting Period, resulting in a corresponding decrease in the revenue derived from such services.

During the Reporting Period, revenue derived from FATH and Other Comprehensive Services accounted for approximately 26.3% of total revenue, representing a decrease of approximately 5.9% as compared with the same period of 2022.

RETROSPECTIVE RESTATEMENT OF FINANCIAL INFORMATION OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 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 the year ended 31 December 2022. Please refer to notes 1, 3 and 19 to the 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 RMB134.4 million or approximately 10.0% to approximately RMB1,483.8 million from approximately RMB1,349.4 million for the year ended 31 December 2022. The increase in revenue for the Reporting Period was mainly attributable to the Group's expansion in its City Operations Services segment.

The table below sets out a breakdown of the Group's total revenue by business lines during the two years ended 31 December 2023:

	Year ended 31 December			
	2023		2022	
	Revenue	**Percentage**	Revenue (restated)	Percentage
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
City Operations Services	**872,773**	**58.8**	656,213	48.6
Lifestyle Services	**222,028**	**14.9**	259,455	19.2
FATH and Other Comprehensive Services	**389,033**	**26.3**	433,744	32.2
Total	**1,483,834**	**100.0**	1,349,412	100.0

Cost of sales

During the Reporting Period, the Group's cost of sales increased by approximately RMB201.2 million or approximately 18.8% to approximately RMB1,272.1 million from approximately RMB1,070.9 million for the year ended 31 December 2022. The increase was mainly attributable to (i) the continuous expansion in the Group's property management projects and GFA under management, resulting in an increase in the number of employees and corresponding employee costs; and (ii) the increase in the Group's subcontracting costs as a result of the increased outsourcing of labour intensive services, such as cleaning and security services.

Gross profit

As a result of the aforementioned key factors, the Group's gross profit decreased by approximately 24.0% from approximately RMB278.5 million for the year ended 31 December 2022 to approximately RMB211.8 million for the year ended 31 December 2023.

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

	Year ended 31 December	
	2023	2022 (restated)
City Operations Services	**12.0%**	18.1%
Lifestyle Services	**21.7%**	22.4%
FATH and Other Comprehensive Services	**15.1%**	23.5%
Overall gross profit margin	**14.3%**	20.6%

During the Reporting Period, the Group's gross profit margin was approximately 14.3%, representing a decrease of approximately 6.3 percentage points from approximately 20.6% for the year ended 31 December 2022. The decrease was mainly attributable to (i) the unfavourable macroeconomic environment, resulting in budget reductions to some of the Group's customers, which affected the gross profit margin of the Group due to the Group's continuous provision of quality services to its customers; (ii) the increase in the scale of operations of the Group resulting in an increase in the number of employees of the Group and the corresponding costs for the purposes of ensuring the provision of quality services to the Group's customers; and (iii) a reduction in the Group's provision of Sales Assistance Services, Preliminary Planning Services and maintenance and rectification services resulting in a corresponding reduction in the revenue and gross profit derived from such services.

The gross profit margin of City Operations Services was approximately 12.0%, representing a decrease of approximately 6.1 percentage points from approximately 18.1% for the year ended 31 December 2022. The decrease was mainly attributable to (i) the increased operating cost for the purposes of ensuring the provision of quality services to the Group's customers; and (ii) the relatively lower gross profit margin for new City Operations Services projects.

The gross profit margin of Lifestyle Services was approximately 21.7%, representing a decrease of approximately 0.7 percentage points from approximately 22.4% for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in the revenue derived from Management and Agency Services, which has higher gross profit margins.

The gross profit margin of FATH and Other Comprehensive Services was approximately 15.1%, representing a decrease of approximately 8.4 percentage points from approximately 23.5% for the year ended 31 December 2022. The decrease was mainly attributable to (i) a reduction in the number of completed and delivered maintenance and rectification services projects during the Reporting Period as compared to the corresponding period in 2022; and (ii) a decrease in the provision of Preliminary Planning Services.

Other income

During the Reporting Period, the Group's other income amounted to approximately RMB7.5 million, representing a decrease of approximately 60.6% from approximately RMB18.9 million for the year ended 31 December 2022. The decrease was primarily due to the receipt of a one-off government subsidy for the year ended 31 December 2022, which was not available to the Group during the Reporting Period.

Other net losses and gains

During the Reporting Period, the Group recorded other net loss of approximately RMB0.9 million, as compared to other net gains of approximately RMB9.3 million for the year ended 31 December 2022. The other net loss of the Group during the Reporting Period arose mainly from the 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 increased to approximately RMB37.0 million, as compared to approximately RMB32.3 million for the year ended 31 December 2022. Such increase was due to (i) the continuous growth in the Group's business scale; and (ii) an increase in relevant marketing staff costs and business development expenses.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB154.8 million, representing an increase of approximately 3.8% from approximately RMB149.1 million for the year ended 31 December 2022. The increase was mainly because of the increase in the business scale of the Group and the corresponding increase in employee costs.

Net impairment losses on financial assets

The Group's net impairment losses on financial assets primarily included the impairment provisions for losses arising from potential bad debts and bad debts written off in respect of trade, bills and other receivables. During the Reporting Period, the Group's net impairment losses on financial assets amounted to approximately RMB9.2 million, as compared to approximately RMB24.1 million for the year ended 31 December 2022, which was mainly because the Group actively collected its accounts receivables, resulting in a better rate of return during the Reporting Period.

Finance cost, net

During the Reporting Period, the net finance cost amounted to approximately RMB51,000, representing a decrease of approximately 79.3% as compared to approximately RMB246,000 for the year ended 31 December 2022. Such fluctuation was mainly due to the increase in interest income arising from the increase in the Group's bank savings during the Reporting Period.

Profit before income tax expense

Profit before income tax expense of the Group decreased to approximately RMB24.7 million for the Reporting Period by approximately 77.1% from approximately RMB108.0 million for the year ended 31 December 2022. The decrease was mainly due to (i) the decrease in the gross profit of the Group for the Reporting Period due to the aforementioned reasons; and (ii) policy reasons relating to the receipt of a one-off government subsidy for the year ended 31 December 2022, which was not available to the Group during the the Reporting Period.

Income tax expense

During the Reporting Period, the Group's income tax expense decreased to approximately RMB2.8 million by approximately 82.6% from approximately RMB16.1 million for the year ended 31 December 2022, which was mainly due to the decrease in the Group's profit before income tax expense, causing a corresponding decrease in the Group's income tax expense in the PRC.

Intangible assets

The Group's intangible assets mainly comprised customer relationships and goodwill of the Group during the Reporting Period. As at 31 December 2023, the Group's intangible assets remained stable at approximately RMB273.5 million.

Trade, bills and other receivables

As at 31 December 2023, the Group's net trade, bills and other receivables amounted to approximately RMB674.5 million, representing an increase of approximately 12.5% as compared to approximately RMB599.3 million as at 31 December 2022. In particular, (i) trade and bills receivables amounted to RMB637.5 million, representing an increase of approximately 12.8% as compared to approximately RMB565.0 million as at 31 December 2022; and (ii) other receivables amounted to approximately RMB37.1 million, representing an increase of approximately 8.0% as compared to approximately RMB34.3 million as at 31 December 2022. Such increase was primarily due to the continuous expansion in the Group's property management projects and GFA under management.

Contract assets

The Group's contract assets mainly represents the Group's right to consideration for work performed but unbilled for provision of maintenance and renovation services. As at 31 December 2023, the Group's contract assets amounted to approximately RMB1.4 million, representing a decrease of approximately 40.8% 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 31 December 2023, the Group's trade payables amounted to approximately RMB292.7 million, representing an increase of approximately 13.0% 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 in order to optimise operational efficiency.

Contract liabilities

The Group's contract liabilities mainly represents the advance payments made by customers while the underlying services, primarily City Operations Services, have yet to be provided and thus the relevant revenue has not been recognised. As at 31 December 2023, the Group's contract liabilities amounted to approximately RMB280.6 million, representing an increase of approximately 22.7% from RMB228.6 million as at 31 December 2022, which was mainly due to (i) the expansion of the Group's business; and (ii) an increase in the number of customers who paid property management fees in advance.

LIQUIDITY AND CAPITAL RESOURCES

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

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

As at 31 December 2023, cash and cash equivalents of the Group was approximately RMB255.4 million, which increased by approximately 15.2% as compared to approximately RMB221.7 million as at 31 December 2022.

As at 31 December 2023, the Group's total equity amounted to approximately RMB493.4 million, which increased by approximately 2.0% as compared to approximately RMB483.7 million as at 31 December 2022.

CAPITAL MANAGEMENT

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

At the end of the Reporting Period, the gearing ratio (defined as total debt divided by total equity) of the Group increased to approximately 5.0% from approximately 1.7% at 31 December of 2022.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2023, the Group's borrowings were approximately RMB9.3 million, which had interests rates ranging from 3.35% to 5.5% per annum (as at 31 December 2022: nil). Such borrowings were for the purposes of daily operations of the Group.

As at 31 December 2023, the Group did not have any pledge of assets.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (as at 31 December 2022: nil).

CAPITAL COMMITMENTS

As at 31 December 2023, the Company had no capital commitments.

OUTLOOK FOR 2024

In 2024, 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 upgrade its market analysis, implement the market development strategy of one policy for one city, and establish market expansion ecosystem platform characterised by 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 establish teams comprising capable members who will receive excellent incentive and will be subject to strict assessment. The Group will improve its business communication, project negotiation, site visit, professional analysis and other capabilities of marketing personnel, identify and introduce information regarding market personnel in the industry, and establish pools of internal and external talents in a coordinated manner. The Group will strengthen communication channels for collating relevant information for projects, continue to improve the system and market toolkits, and continuously upgrade the functions of its IT-driven market customer process system.

In terms of resources integration, the Group will coordinate and share resources amongst its operations in different regions that it operates so that different regions would be able to complement their respective advantages with each other, strengthen horizontal cooperation between regional and professional business units, resulting the Group being able to 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, 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 continue to enhance its internal service system in five areas, namely property renovation, on-site hardware, customer relationship maintenance, touchpoint services (觸點服務), and community activities. The Group will strengthen its relationships with customers through community activities, such as Buddies Life Festival (老友生活節), holiday festivals and other community activities. The Group will strive to create a community lifestyle market through providing linkage platform, decoration services, lease and sales services to property owners, such as clothing care, purchase of daily necessities, maintenance of household appliances, real estate rental and sale and other lifestyle services. The Group will conduct decentralised, full-coverage surveys of the entire customer base through its 400 call centre so as to provide regular customer service.

(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 Eye" (慧眼), "Smart Connection" (慧聯), and "Smart Management" (慧管) and IOT smart community platform, 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. At the same time, by fully embracing AI, the Group utilises domestic and foreign large-scale model technologies and continuously explores scenarios where AI and business are integrated based on actual business conditions. Currently, two applications have been implemented in the market management scenarios. It is expected that no less than 10 implementation scenarios will be carried out in 2024.

The Group will improve the supply chain cost system, enhance system application, and promote the comprehensive reform of the internal system, internal process and internal information through improvement of supply chain management system, so as to fully realise the online and compliant management of the supply chain. The Group will compile a list of energy conservation and consumption reduction targets based on the development of new technologies in the market and excellent cases of the Company, and will continue to maximise the Group's profitability by exploring its potential through minor technological transformation and small-scale investment in energy saving.

The Group commenced comprehensive cooperation with Feishu (飛書) in 2023, which significantly enhanced management efficiency in daily communication, meeting organisation, internal communications and talent training and development. At the same time, the Group will also comprehensively sort out data assets and combine big data-related technologies to create a new generation of data platform. The platform will sort out multiple operating indicators from the market, operations, finance, human resources and other aspects, building a solid foundation for the overall digital operations of the Group and empowering the strategic implementation of the Group.

(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, establish a virtual expert team for the non-residential sector, enhance IFM (integrated facility management services) capabilities, seek value-added service opportunities for non-residential property projects, explore customers' needs, and develop new 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-sector customers, the Group will provide comprehensive management services such as 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 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, the Group will work together with various business units to build an advanced team of top-notch employees in the future, and step up efforts to improve the talent pool with "Original Aspiration Together" (初心薈) and "Elite Together" (精英薈) as key learning programs. The Group will continue to increase access to the "Original Voice Program" (原聲計劃) and "Dowell Light Class" (仁仁輕課堂) to provide more channels for learning for functional partners, and transfer less substantial learning to its social media platforms, so that the Group can cultivate talents at all levels as well as accelerate the growth of talents.

In terms of strengthening cultural identity, the Group will rely on different means such as online Journey of the Heart (心路之旅), cultural Q & A competitions, Dowell yearbook (仁知年刊) and Dowell culture newspaper (仁知文化報) to enable its employees to listen, visualise, touch and experience the Group's corporate culture with a wide range of acknowledgement. The Group has established communication channels for all employees through its official WeChat account, its official Feishu account and Dowell broadcasting station (仁知廣播站).

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 (the "**Net Proceeds**") amounted to approximately HK$139.8 million in total, after deducting the underwriting fees and relevant expenses. As at 31 December 2023, the Group has used approximately HK$128.0 million of the Net Proceeds.

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

The table below sets out the details of actual usage of the Net Proceeds as at 31 December 2023:

		Net Proceeds (HK$ million)					
Item	Percentage	Available Net Proceeds from listing of the H Shares on the Stock Exchange and partial exercise of the over-allotment option	Available Net Proceeds as at 31 December 2022	Used: During the Reporting Period	Used: From the Listing Date and up to 31 December 2023	Unused: As at 31 December 2023	Remaining balance expected to be fully used by
Strategic investments, cooperation and acquisition	65.0%	90.9	13.7	5.6	82.8	8.1	End of year 2025
Improve service quality and extend service offering	16.5%	23.0	21.7	21.7	23.0	0	N/A
Upgrade and develop intelligent systems	8.5%	11.9	2.6	0.3	9.6	2.3	End of year 2024
General working capital	10.0%	14.0	2.4	1.0	12.6	1.4	N/A
Total	100.0%	139.8	40.4	28.6	128.0	11.8	

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 5,395 employees (as at 31 December 2022: 5,251 employees). During the Reporting Period, the total staff costs recognised as expenses were approximately RMB709.3 million (for the year ended 31 December 2022: approximately RMB628.4 million).

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

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

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

CORPORATE GOVERNANCE

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDIT COMMITTEE REVIEW

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

The primary duties of the Audit Committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iii) developing and reviewing the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) developing, reviewing and monitoring the code of conduct applicable to the employees of the Group and Directors. The Audit Committee consists of three members, including Ms. Luo Shaoying, Mr. Wang Susheng and Mr. Song Deliang. The Audit Committee is chaired by Mr. Song Deliang, an independent non-executive Director who possesses appropriate professional accounting and related financial management expertise. The Audit Committee has reviewed the Company's annual financial results for the year ended 31 December 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.

SCOPE OF WORK OF BDO LIMITED

The financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited.

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

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

FINAL DIVIDEND

In view of the business growth of the Group and the support of the Shareholders, the Board recommended the declaration of a final cash dividend ("**Final Dividend**") of RMB0.03 per share (tax inclusive) for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB0.14 per share (tax inclusive)).

The dividend distribution plan shall be subject to the approval of the Shareholders at the annual general meeting to be held on Wednesday, 19 June 2024 (the "**AGM**") and such dividend is expected to be paid on or around Monday, 19 August 2024. The Final Dividend payable to the Shareholders shall be declared in RMB and paid in HK dollars, the exchange rate of which will be calculated based on the average exchange rate of RMB against HK dollars published by the People's Bank of China seven days prior to the AGM. Upon approval at the AGM, the Final Dividend will be paid by Monday, 19 August 2024.

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

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

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

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

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

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

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

ANNUAL GENERAL MEETING

The AGM has been scheduled to be convened on Wednesday, 19 June 2024. Shareholders of the Company should refer to details regarding the AGM in the circular and the notice of AGM and form of proxy to be published on the websites of the Company and the Stock Exchange in due course.

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

For the purpose of determining the rights to attend and vote at the AGM, the record date will be fixed at the close of business of Thursday, 6 June 2024. In order to be eligible to attend and vote at the AGM, all transfer documents of the Company accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) for registration no later than 4:30 p.m. on Thursday, 6 June 2024.

For the purpose of determining the entitlement to the proposed Final Dividend (subject to the approval by the Shareholders at the AGM), the record date will be fixed at the close of business of Monday, 24 June 2024. In order for holders of H Shares to qualify for the proposed Final Dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) for registration no later than 4:30 p.m. on Monday, 24 June 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website at www.dowellservice.com and the Stock Exchange's website at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2023 will be despatched to the Shareholders as required and will be 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, 20 March 2024

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

* *For identification purposes only*