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DOWELL SERVICE GROUP CO. LIMITED*

東原仁知城市運營服務集團股份有限公司

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

(Stock Code: 2352)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE EQUITY TRANSFER AGREEMENT; AND
(2) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 19 April 2024 (after trading hours), the Company (as purchaser), Shanghai Dixuan (as vendor) and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire, and Shanghai Dixuan has conditionally agreed to sell, approximately 90.73% of equity interests in the Target Company at the consideration of RMB25.4 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Dixuan is wholly-owned by Dima, which is one of the Company's controlling shareholders. Therefore, Shanghai Dixuan is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitute connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Equity Transfer Agreement exceed 5% but is less than 25%, the transaction contemplated under the Equity Transfer Agreement constitutes (i) a discloseable transaction for the Company that is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company that is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene and hold an EGM for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Equity Transfer Agreement and the transaction contemplated thereunder.

The Company has established the Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders as to, among other things, whether the terms of the Equity Transfer Agreement are fair and reasonable, and whether the transaction contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Pelican Financial Limited has been appointed by the Independent Board Committee as the Independent Financial Adviser to advise them and the Independent Shareholders in this regard.

A circular containing, among other things, (i) a letter from the Board setting out further details of the Equity Transfer Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the advice from the Independent Financial Adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders as required as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched to the Shareholders as required and will be published on the Company's website at www.dowellservice.com and the Stock Exchange's website at www.hkexnews.hk on or before 13 May 2024.

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 19 April 2024 (after trading hours), the Company (as purchaser), Shanghai Dixuan (as vendor) and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire, and Shanghai Dixuan has conditionally agreed to sell, approximately 90.73% of equity interests in the Target Company at the consideration of RMB25.4 million.

Details of the major terms of the Equity Transfer Agreement are as follows:

Date	19 April 2024 (after trading hours)
Parties	<ol style="list-style-type: none">1. the Company, as purchaser;2. Shanghai Dixuan, as vendor; and3. the Target Company, as target company.

As at the date of this announcement, Shanghai Dixuan is a wholly-owned subsidiary of Dima, which is one of the Company's controlling shareholders. Therefore, Shanghai Dixuan is a connected person of the Company.

Subject matter

Pursuant to the Equity Transfer Agreement, the Company (as purchaser) has conditionally agreed to acquire, and Shanghai Dixuan (as vendor) has conditionally agreed to sell, approximately 90.73% of equity interests in the Target Company. As at the date of this announcement and immediately prior to the completion of the Equity Transfer, the Target Company was owned as to approximately 90.73% by Shanghai Dixuan, a wholly-owned subsidiary of Dima, and approximately 9.27% by Chongqing Qingyuan Medical Nursing Service Co., Ltd.* (重慶青元醫養服務有限公司), which was beneficially owned by Ms. Zeng Jiguo, an Independent Third Party.

The Target Company was established by Shanghai Dixuan. Accordingly, there was no original acquisition cost of approximately 90.73% of equity interests in the Target Company by Shanghai Dixuan.

Consideration

The consideration of RMB25.4 million shall be payable in two tranches.

The first tranche of RMB12.7 million shall be payable within five business days of:

- (a) the fulfilment of all of the conditions precedent as set out in the paragraph headed “The Equity Transfer Agreement – Conditions precedent” below; and
- (b) Shanghai Dixuan having prepared all application documents relating to the industrial and commercial modification registration (工商變更登記) in the name of the Company and having obtained the pre-approval from the competent department of the industrial and commercial registration (工商登記主管) confirming that all application documents have been completed without omission or supplement.

The second tranche of RMB12.7 million shall be payable within five business days after completion of the relevant industrial and commercial registration modification formalities (工商變更登記手續) (and the Target Company obtaining a new business license renewed by the industrial and commercial registration authority (工商登記機關)).

Basis of consideration

The consideration of RMB25.4 million was determined after arm’s length negotiations between the parties to the Equity Transfer Agreement on normal commercial terms, taking into consideration of, among other things, (i) the net asset value of the Target Company; (ii) the market position of the Target Company in the medical care and elderly care services industry in the PRC; (iii) the preliminary valuation prepared by an independent valuer on the Target Company based on market approach; and (iv) other reasons for and benefits of the Equity Transfer Agreement as set out in the section headed “Reasons for and benefits of the Equity Transfer” below.

Conditions precedent

The Equity Transfer Agreement is conditional upon:

- (a) the Company obtaining the necessary consents or approvals for the entering into of the Equity Transfer Agreement and the transaction contemplated thereunder, including but not limited to the approval by the Stock Exchange, the approval of the Securities and Futures Commission, any relevant governmental or regulatory authority and requirements under the laws of the PRC, or obtaining the applicable waivers from the Stock Exchange;
- (b) the Company obtaining the approval from the Independent Shareholders of the Equity Transfer Agreement and the transaction contemplated thereunder at the EGM;
- (c) the parties to the Equity Transfer Agreement completing all relevant internal approval procedures;
- (d) the current equity holder of the Target Company passing a written resolution to waive its pre-emptive rights and agreeing to the Equity Transfer;
- (e) Shanghai Dixuan and the Target Company not breaching any terms under the Equity Transfer Agreement; and
- (f) there being no material adverse change in respect of information regarding the Target Group and its project(s) as disclosed by Shanghai Dixuan in the Equity Transfer Agreement.

If the conditions precedent have not been fulfilled on or before 30 June 2024 (or such later date as the parties agree in writing), the Equity Transfer Agreement shall cease to have effect, and no party shall have any claim against the other party except for any antecedent breach of the Equity Transfer Agreement.

Completion

Completion shall take place within three days after completion of the relevant industrial and commercial registration modification formalities (工商變更登記手續), reflecting the change of equity holder of the Target Company from Shanghai Dixuan to the Company.

Upon completion, Shanghai Dixuan shall ensure that various documents and assets of the Target Group, as agreed under the Equity Transfer Agreement, are delivered to a person designated by the Company.

Pursuant to the Equity Transfer Agreement, completion shall be deemed to take place upon:

- (a) completion of all industrial and commercial registration modification formalities (工商變更登記手續) in relation to the Equity Transfer;
- (b) the articles of association of the Target Company having been amended according to the terms of the Equity Transfer Agreement, and the legal representatives, directors, supervisors and senior management personnel having all been changed to the persons designated by the Company, and the corresponding procedures for registration and filing of the industrial and commercial modification (工商變更) having been completed;
- (c) Shanghai Dixuan having completed the relevant alteration, repealing and remodelling of the company seal of the Target Company in accordance with the requirements of the Company, and such remodelled seal has been activated after the relevant alteration and repealing procedures have been completed; and
- (d) any other matters in relation to completion of the Equity Transfer.

Immediately upon completion of the Equity Transfer, the Target Company shall be a direct non-wholly owned subsidiary of the Company. The Target Company will be held as to approximately 90.73% by the Group and approximately 9.27% by Chongqing Qingyuan Medical Nursing Service Co., Ltd.* (重慶青元醫養服務有限公司) and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

Financial information of the Target Company

The net asset value of the Target Company as at 31 December 2023 was approximately RMB22,489,000.

The audited consolidated financial information of the Target Company for the two years ended 31 December 2023 is set out below:

	For the year ended	
	31 December	
	2022	2023
	RMB'000	RMB'000
Net loss (before taxation)	11,144	15,893
Net loss (after taxation)	9,144	15,901

INFORMATION ON THE GROUP

The Group is a property management service provider that offers comprehensive services for a wide range of property projects in the PRC.

INFORMATION ON DIMA GROUP AND SHANGHAI DIXUAN

Dima Group is principally engaged in (i) development and investment of residential and commercial properties in the PRC; and (ii) manufacturing of vehicles with various types of use.

As at the date of this announcement, Dima was an A-share company listed on the Shanghai Stock Exchange and was owned by Chongqing Doyen and Chongqing Shuorun as to approximately 35.55% and 3.01% respectively. Chongqing Shuorun was owned by Chongqing Doyen and Ms. Chiu as to approximately 98.96% and 1.04% respectively, while Chongqing Doyen was owned by Mr. Lo and Ms. Chiu as to approximately 77.78% and 22.22% respectively.

Shanghai Dixuan was established in May 2019. It is principally engaged in, among others, health consulting services and elderly care services.

INFORMATION ON THE TARGET GROUP AND THE TARGET COMPANY

The Target Group is principally engaged in the medical care and elderly care services industry in the PRC. Relying on the four main elderly care products of residential community, institutional elderly care, nursing and rehabilitation institutions and specialised institutions, the Target Group focuses on the layout of high-end institutional elderly care and community home elderly care projects. Currently, it operates more than 12 elderly care institutional projects, manages more than 50 community service stations, operates more than 2,000 beds and has more than 20,000 customers.

The Target Company was established in April 2020. It is principally engaged in, among others, health consulting services and cleaning and disinfection services.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

As disclosed in the annual results announcement of the Company dated 20 March 2024, the Group has been exploring opportunities to expand its business portfolio and scale. As the PRC's aging population is continuously increasing, the demand for medical care and elderly care services is expected to continuously increase. The acquisition of the Target Company would enable the Group to take advantage of the expansion in the medical care and elderly care services industry. Leveraging the Group's experience in the provision of services to hospitals, medical facilities and residential communities, coupled with the continuous increase in the Group's property management projects (including gross floor area under management), the Directors are of the view that the Group would be able to utilise the existing market share of the Group to enhance the Target Company's business potential, including in relation to community elderly care services, institutional elderly care services and provision of healthy foods services in order to work towards potential growth of the Target Group's business. Moreover, the Group would be able to rely on the Target Company's medical care services capabilities to further enhance its strategic cooperation with, among others, the Department of Civil Affairs and Health Commission (民政及衛生健康委部門) of the PRC. The Directors are of the view that the acquisition of the Target Company will contribute to the Group's long-term steady growth and create better returns for the Shareholders.

In light of the reasons stated above, the Directors (excluding the independent non-executive Directors who's views will be formed after taking into account of the advice of the Independent Financial Adviser) are of the view that, despite the entering into the Equity Transfer Agreement was not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are on normal commercial terms after arm's length negotiations, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since Ms. Luo Shaoying, being a non-executive Director, is a director and chief executive officer of Dima, and Ms. Yi Lin, being a non-executive Director, is a director, vice chief executive officer and the head of finance department of Dima, for good corporate governance practice, each of Ms. Luo and Ms. Yi has abstained from voting on the relevant resolutions of the Board approving the Equity Transfer Agreement and the transaction contemplated thereunder. Save as disclosed, none of the other Directors had or may be regarded as having a material interest in the Equity Transfer Agreement and the transaction contemplated thereunder and therefore none of the other Directors had abstained from voting on the relevant Board resolutions approving the Equity Transfer Agreement and the transaction contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Dixuan is wholly-owned by Dima, which is one of the Company's controlling shareholders. Therefore, Shanghai Dixuan is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitute connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Equity Transfer Agreement exceed 5% but is less than 25%, the transaction contemplated under the Equity Transfer Agreement constitutes (i) a discloseable transaction for the Company that is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company that is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene and hold an EGM for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Equity Transfer Agreement and the transaction contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, an associate of Dima, namely Tianjin Chengfang Corporate Management Consultant Company Limited* (天津澄方企業管理諮詢有限公司), which hold 25,520,000 H Shares, representing approximately 38.09% of the issued H Shares as at the date of this announcement, shall abstain from voting on the resolution approving the Equity Transfer Agreement and the transaction contemplated thereunder at the EGM. Save as disclosed above, as at the date of this announcement, none of the other Shareholders are required to abstain from voting on the resolutions in respect of the Equity Transfer Agreement and the transaction contemplated thereunder at the EGM.

The Company has established the Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders as to, among other things, whether the terms of the Equity Transfer Agreement are fair and reasonable, and whether the transaction contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Pelican Financial Limited has been appointed by the Independent Board Committee as the Independent Financial Adviser to advise them and the Independent Shareholders in this regard.

A circular containing, among other things, (i) a letter from the Board setting out further details of the Equity Transfer Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the advice from the Independent Financial Adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders as required as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched to the Shareholders as required and will be published on the Company's website at www.dowellservice.com and the Stock Exchange's website at www.hkexnews.hk on or before 13 May 2024.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chongqing Doyen”	Chongqing Doyen Holdings Group Co., Ltd.* (重慶東銀控股集團有限公司), a limited liability company established in the PRC and a connected person of the Company
“Chongqing Shuorun”	Chongqing Shuorun Petrochemical Company Limited* (重慶碩潤石化有限責任公司), a limited liability company established in the PRC and a connected person of the Company

“Company”	東原仁知城市運營服務集團股份有限公司(DOWELL SERVICE GROUP CO. LIMITED*), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dima”	Dima Holdings Co., Ltd.* (重慶市迪馬實業股份有限公司), a limited liability company established in the PRC on 9 October 1997 and its shares are listed on the Shanghai Stock Exchange (stock code: 600565.SH), one of the controlling shareholders of the Company and a connected person of the Company for the purpose of the Listing Rules
“Dima Group”	Dima and companies formed by Dima and/or its subsidiary(ies) with other Independent Third Parties which Dima held a controlling interests
“EGM”	the extraordinary general meeting to be convened and held by the Company for the purpose of, among others, considering and, if thought fit, approving the Equity Transfer Agreement and the transaction contemplated thereunder
“Equity Transfer”	the equity transfer of approximately 90.73% of the Target Company from Shanghai Dixuan (as vendor) to the Company (as purchaser)
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 19 April 2024 and entered into among Shanghai Dixuan (as vendor), the Company (as purchaser) and the Target Company in relation to the Equity Transfer
“Group”	collectively, the Company and its subsidiaries
“H Share(s)”	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transaction contemplated thereunder

“Independent Financial Adviser”	Pelican Financial Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of, among other matters, the Equity Transfer Agreement and the transaction contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the resolutions in respect of, among other matters, the Equity Transfer Agreement and the transaction contemplated thereunder
“Independent Third Party(ies)”	a person, persons, company or companies which is or are independent of, and not connected with (within the meaning under the Listing Rules), any directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associate(s)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lo”	Mr. Lo Siu Yu, who owned approximately 77.78% of the equity interest in Chongqing Doyen as at the date of this announcement and a connected person of the Company
“Ms. Chiu”	Ms. Chiu Kit Hung, the spouse of Mr. Lo
“PRC”	the People’s Republic of China, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Dixuan”	Shanghai Dixuan Industrial Co., Ltd.* (上海迪眩實業有限公司), a company established in the PRC and a wholly-owned subsidiary of Dima as at the date of this announcement
“Shareholder(s)”	holder(s) of H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Shanghai Evergreen Social Care Enterprise Development Co., Ltd.* (上海常青社康養企業發展有限公司), a company established in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“%”	per cent.

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

The PRC, 19 April 2024

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

* *For identification purpose only*