

東 原 仁 知
城市運營服務集團股份有限公司

D O W E L L S E R V I C E G R O U P C O . L I M I T E D *

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

Stock code: 2352

2 0 2 2
INTERIM REPORT

* For identification purposes only

DOWELL
SERVICE

CONTENTS

	Pages
CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
CORPORATE GOVERNANCE AND OTHER INFORMATION	20
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	30
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	33
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	34
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	35

CORPORATE INFORMATION

NON-EXECUTIVE DIRECTORS

Ms. Yi Lin (易琳) (*Chairman*)
Mr. Chen Han (陳涵)

EXECUTIVE DIRECTORS

Mr. Heng Qingda (衡清達)
Mr. Fan Dong (范東)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cai Ying (蔡穎)
Mr. Wang Susheng (王蘇生)
Mr. Song Deliang (宋德亮)

SUPERVISORS

Mr. Wang Jun (王駿)
Mr. Mao Dun (毛盾)
Ms. Tan Liang (譚亮)

AUDIT COMMITTEE

Mr. Song Deliang (宋德亮) (*Chairman*)
Ms. Yi Lin (易琳)
Mr. Wang Susheng (王蘇生)

REMUNERATION COMMITTEE

Mr. Wang Susheng (王蘇生) (*Chairman*)
Mr. Chen Han (陳涵)
Ms. Cai Ying (蔡穎)

NOMINATION COMMITTEE

Ms. Yi Lin (易琳) (*Chairman*)
Ms. Cai Ying (蔡穎)
Mr. Song Deliang (宋德亮)

AUTHORISED REPRESENTATIVES

Mr. Heng Qingda (衡清達)
Mr. Wong Wai Chiu (黃偉超)

JOINT COMPANY SECRETARIES

Mr. Liu Xing (劉興)
Mr. Wong Wai Chiu (黃偉超)

REGISTERED OFFICE AND HEADQUARTERS

Room 206, B1/F
No. 108 Baihe Road
Nanping Town
Nan'an District, Chongqing
The People's Republic of China (the "PRC")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong laws:

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC laws:

Beijing Dentons Law Office, LLP (Chongqing)
27-29F, Tower A, Guohua Finance Center
9 Juxiyan Plaza, Jiangbeizui, Jiangbei District
Chongqing 400024
The PRC

AUDITORS

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKER

China Construction Bank Cooperation Chongqing
Nanping Branch

STOCK CODE

2352

COMPANY WEBSITE

<http://www.dowellservice.com/>

FINANCIAL HIGHLIGHTS

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**”, together with its subsidiaries, the “**Group**”) achieved the following results for the six months ended 30 June 2022 (the “**Reporting Period**”):

1. The Group’s revenue was approximately RMB605.1 million, representing an increase of approximately 12.5% as compared with approximately RMB537.8 million for the corresponding period of 2021.
2. The Group’s revenue generated from its business segments are as follows:
 - (a) revenue from property management services was approximately RMB366.3 million, accounting for approximately 60.6% of total revenue, representing an increase of approximately 22.8%, as compared with approximately RMB298.3 million for the corresponding period of 2021;
 - (b) revenue from community value-added services was approximately RMB114.0 million, accounting for approximately 18.8% of total revenue, representing a decrease of approximately 2.1%, as compared with approximately RMB116.4 million for the corresponding period of 2021; and
 - (c) revenue from value-added services to non-property owners was approximately RMB124.9 million, accounting for approximately 20.6% of total revenue, representing an increase of approximately 1.5%, as compared with approximately RMB123.1 million for the corresponding period of 2021.
3. Gross profit was approximately RMB144.9 million, representing an increase of approximately 7.3% as compared with approximately RMB135.1 million for the corresponding period of 2021. Gross profit margin was approximately 24.0%, representing a decrease of approximately 1.1 percentage points from approximately 25.1% for the corresponding period of 2021.
4. Profit for the Reporting Period was approximately RMB56.4 million, representing an increase of approximately 15.3% as compared with profit of approximately RMB48.9 million for the corresponding period of 2021. Profit for the Reporting Period attributable to shareholders of the Company was approximately RMB55.4 million, representing an increase of approximately 15.7% as compared with approximately RMB47.9 million for the corresponding period of 2021.
5. As at 30 June 2022, the Group had 521 contracted property management projects and contracted gross floor area (“**GFA**”) of approximately 62.3 million square metres (“**sq.m.**”), representing an increase of approximately 61.0% as compared with contracted GFA of approximately 38.7 million sq.m. as at 30 June 2021. Such projects included 447 projects under management and GFA under management of approximately 47.4 million sq.m., representing an increase of approximately 95.9% as compared with GFA under management of approximately 24.2 million sq.m. as at 30 June 2021.
6. The board (the “**Board**”) of directors (the “**Directors**”) of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary and review for the first half of 2022

The Group is a fast-growing comprehensive full value chain property management service provider with leading customer satisfaction. In April 2022, the Group was recognised as one of the “2022 Top 100 Property Management Companies” by the China Index Academy, and its overall industry strength ranking improved by two places to the 18th as compared to 2021. As at 30 June 2022, the Group operated across China and managed 447 property projects with an aggregated GFA under management of approximately 47.4 million sq.m. in 58 cities in China and were contracted to manage 521 property projects with an aggregated GFA of approximately 62.3 million sq.m. in 73 cities.

The Group’s business covers diversified property types, such as residential, commercial, urban complexes, government buildings, industrial parks, foreign embassies and consulates, hospitals, schools and urban services.

The Group adheres to its service concept of “For Every Moment of Peace of Mind”, with a vision to establish itself as a respected urban renewal service provider with unique business value. The Group adopts the brand development strategy of “Big Property • Full Value”, and always adheres to the values of “simplicity and trustworthiness, customer orientated, pursuit of excellence, and mutual achievement”. With focus on addressing the life-cycle needs of people and cities, it continuously improves service quality to satisfy customers’ needs and provides detailed, thorough, considerate and efficient property management services and value-added services for diversified customers.

Our business model

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

- (i) property management services, including security services, cleaning services, landscaping services, facility management, repair and maintenance services, for:
 - residential properties to property developers, property owners and residents; and
 - non-residential properties, such as commercial properties, hospitals, governmental buildings and schools, to property owners or enterprises that operate in such premises;
- (ii) community value-added services, mainly including:
 - car parking spaces management services;
 - car parking spaces and property sales services;
 - public resources management services;
 - property agency services;
 - community events planning services;

MANAGEMENT DISCUSSION AND ANALYSIS

- utility maintenance services; and
 - renovation waste treatment services.
- (iii) value-added services to non-property owners, mainly property developers, including, among others:
- sales assistance services;
 - maintenance and renovation services;
 - pre-delivery consultancy and inspection services; and
 - additional tailored services.

The Group believes that its property management service business line serves as the basis for the Group to generate revenue, expand its business scale as well as increase its customer base for its community value-added services and value-added services to non-property owners. The Group's value-added services to non-property owners allow the Group to gain early access to property projects and establish and cultivate business relationships with property developers, which enables the Group having a competitive advantage in securing engagements for property management services. The comprehensive range of the Group's community value-added services business line helps the Group to enhance its relationship with customers and residents in the property projects that it manages, and thus improve their satisfaction and loyalty. The Directors believe that these three business lines complement each other and will continue to enable the Group to gain greater market share and expand its business presence in the PRC.

The table below sets out a breakdown of the Group's total revenue by business lines during the Reporting Period and the corresponding period of 2021:

	Six months ended 30 June			
	2022		2021	
	Revenue	Percentage	Revenue	Percentage
	(RMB'000)	(%)	<i>(RMB'000)</i>	<i>(%)</i>
Property management services	366,254	60.6	298,279	55.4
Community value-added services	113,956	18.8	116,437	21.7
Value-added services to non-property owners	124,901	20.6	123,061	22.9
Total	605,111	100.0	537,777	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Property management services

Overview

The Group manages residential and non-residential properties sourced from Dima Group (as defined below) and Affiliated Companies (as defined below). In addition, through proactive tender and bidding, and mergers and acquisitions, the Group has been expanding its business scale by increasing the number of residential properties and non-residential properties sourced from Independent Third Parties (as defined below). During the Reporting Period, the Group's revenue from property management services amounted to approximately RMB366.3 million, representing an increase of approximately 22.8%, as compared to the corresponding period of 2021, which is mainly due to the expansion of GFA under management and the increase in the number of projects under managements of the Group.

Continuous growth in business scale and expansion in property portfolio

The Group adheres to solidify its market position and expand its property portfolio and business scale through multiple channels, such as organic growth and strategic acquisitions and investment. During the Reporting Period, leveraging the close relationship with Dima Group (as defined below), one of the Company's controlling shareholders, the GFA under management of projects sourced from Dima Group reached approximately 14.5 million sq.m., representing an increase by approximately 27.0% as compared to the same as at 30 June 2021. In addition, the Group successfully acquired two companies which engage in both residential and non-residential property management services, whereby the property projects under management are sourced from Independent Third Parties. For further details, please refer to the paragraph headed "Material investments, acquisitions and disposals" below. Thus, the GFA under management of projects sourced from Independent Third Parties reached approximately 29.3 million sq.m., representing an increase by approximately 163.1% as compared to the same as at 30 June 2021.

By source of property projects:

The table below sets out the Group's total revenue from property management services, GFA under management and number of projects based on the sources from which the Group obtained the relevant property projects during the Reporting Period and the corresponding period of 2021.

	Six months ended 30 June 2022		As at 30 June 2022		Six months ended 30 June 2021		As at 30 June 2021	
	Revenue (RMB'000)	(%)	Number of projects	GFA under management ^(a) ('000 sq.m.)	Revenue (RMB'000)	(%)	Number of projects	GFA under management ^(a) ('000 sq.m.)
Property projects sourced from Dima Group ^{(1) (2)}	182,181	49.8	78	14,513	159,594	53.5	64	11,429
Property projects sourced from Affiliated Companies ^{(1) (3)}	19,526	5.3	18	3,610	17,308	5.8	9	1,689
Property projects sourced from Independent Third Parties ^{(1) (4)}	164,547	44.9	351	29,261	121,377	40.7	198	11,121
Total	366,254	100.0	447	47,384	298,279	100.0	271	24,239

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. The above breakdown of revenue generated from the provision of property management services is based on the sources from which the Group obtained the relevant property projects instead of the sources which the Group derived revenue from. For example, for a property project sourced from Dima Group, the Group may derive income from Dima Group, property owners and property owners' associations at different stages, depending on factors such as whether residential properties have been delivered to property owners and whether property owners' associations have been established.
2. Dima Group refers to Dima Holdings Co., Ltd.* (重慶市迪馬實業股份有限公司) (“Dima”) and companies formed by Dima and/or its subsidiary(ies) with other Independent Third Party(ies) (as defined below) which Dima held a controlling interest.
3. Affiliated Companies refers to companies that engaged the Group to provide services and are (i) formed by Dima Group (including the Group) and independent third party(ies) in which Dima Group does not hold any controlling interests and are not consolidated entities of Dima Group; and (ii) held directly by Mr. Lo Siu Yu, Chongqing Doyen Holdings Group Co., Ltd.* (重慶東銀控股集團有限公司), Ms. Zhao Jiehong and Chongqing Shuorun Petrochemical Company Limited* (重慶碩潤石化有限責任公司) (other than the Group and Dima Group).
4. Independent Third Parties refers to enterprises which are not part of Dima Group or Affiliated Companies, including, among others, third-party developers, property owners' associations and individual property owners.
5. This includes GFA where the property management services were provided by entities in which the Group holds non-controlling interests. As at 30 June 2022, the total GFA under management of property projects managed by entities the Group holds non-controlling interests in were approximately 1.9 million sq.m..

We manage a diversified portfolio of property projects, consisting of: (i) residential properties; and (ii) non-residential properties, such as office buildings, shopping malls, schools, government facilities, public services facilities, foreign embassies in China, industrial parks and hospitals.

As at 30 June 2022, the Group's GFA under management of residential properties was approximately 29.1 million sq.m., accounting for approximately 61.5% of the Group's GFA under management. The share of residential properties in the Group's GFA under management grew by approximately 67.7% as compared to the same period in 2021.

As at 30 June 2022, the Group's GFA under management of non-residential properties was approximately 18.3 million sq.m., accounting for approximately 38.5% of the Group's GFA under management. The share of non-residential properties in the Group's GFA under management grew by approximately 165.9% as compared to the same period in 2021.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the Group's total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period of 2021:

	Six months ended 30 June 2022				Six months ended 30 June 2021			
	Revenue (RMB'000)	%	Number of projects	GFA under management ('000 sq.m.)	Revenue (RMB'000)	%	Number of projects	GFA under management ('000 sq.m.)
Residential properties	211,992	57.9	174	29,133	173,780	58.3	112	17,375
Non-residential properties	154,262	42.1	273	18,251	124,499	41.7	159	6,864
Total	366,254	100.0	447	47,384	298,279	100.0	271	24,239

Continuous expansion in geographic presence

By geographic presence:

As at 30 June 2022, the Group operated across China and managed 447 property projects with an aggregated GFA under management of approximately 47.4 million sq.m. in 58 cities in China and were contracted to manage 521 property projects with an aggregated GFA of approximately 62.3 million sq.m. in 73 cities.

The table below sets forth the Group's total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period in 2021:

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Revenue (RMB'000)	Number of projects	GFA under management ('000 sq.m.)	Revenue (RMB'000)	Number of projects	GFA under management ('000 sq.m.)
Chongqing	97,513	70	8,636	92,700	63	6,724
Sichuan Province	61,300	48	7,469	47,609	30	5,245
Hubei Province	53,853	25	6,512	40,445	20	3,186
Shanghai	43,539	53	2,372	31,346	33	1,556
Zhejiang Province	12,587	56	7,518	10,299	15	2,775
Jiangsu Province	27,775	48	3,316	23,151	35	2,273
Beijing	31,797	37	997	23,424	31	269
Others	37,890	110	10,564	29,305	44	2,211
Total	366,254	447	47,384	298,279	271	24,239

MANAGEMENT DISCUSSION AND ANALYSIS

Community value-added services

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

During the Reporting Period, revenue derived from community value-added services decreased by approximately 2.1% to approximately RMB114.0 million as compared to approximately RMB116.4 million in the same period last year, mainly due to the effect of the implementation of COVID-19 pandemic control measures, such as temporary lockdown measures, in some cities in the PRC during the Reporting Period in order to control the spread of the COVID-19 pandemic, which adversely affected the provision of some of the Group's community value-added services in the relevant cities. During the Reporting Period, revenue derived from community value-added services accounted for approximately 18.8% of total revenue, representing a decrease of approximately 2.9% as compared with the same period of 2021. The decrease in the percentage of revenue derived from community value-added services was mainly affected by the increase in the revenue derived from property management services.

Value-added services to non-property owners

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

During the Reporting Period, revenue derived from value-added services to non-property owners increased by approximately 1.5% to approximately RMB124.9 million as compared to approximately RMB123.1 million in the same period last year, mainly due to the increase in the provision of customised services to hospitals, including medical fabric washing services, disinfection services and other essential medical-related items. During the Reporting Period, revenue derived from value-added services to non-property owners accounted for approximately 20.6% of total revenue, representing a decrease of approximately 2.3% as compared with the same period of 2021.

FINANCIAL REVIEW

Revenue

The Group's revenue was principally derived from property management services in the PRC. During the Reporting Period, the Group's revenue increased by approximately RMB67.3 million or approximately 12.5% to approximately RMB605.1 million from approximately RMB537.8 million as compared with the same period of 2021. The increase in revenue for the Reporting Period was mainly attributable to the increase in revenue from property management services.

During the Reporting Period, the Group's revenue in relation to property management services increased by approximately RMB68.0 million or approximately 22.8% to approximately RMB366.3 million from approximately RMB298.3 million as compared with the same period of 2021. The increase in revenue in relation to property management services for the Reporting Period was mainly attributable to the continuous increase in the Group's

MANAGEMENT DISCUSSION AND ANALYSIS

property management projects and GFA under management. In particular, the Group's GFA under management during the Reporting Period was approximately 47.4 million sq.m., representing an increase of approximately 95.9% as compared with GFA under management of approximately 24.2 million sq.m. as at 30 June 2021.

During the Reporting Period, the Group's revenue in relation to community value-added services decreased by approximately RMB2.4 million or approximately 2.1% to approximately RMB114.0 million from approximately RMB116.4 million as compared with the same period of 2021. The slight decrease in revenue in relation to community value-added services for the Reporting Period was mainly attributable to the effect of the implementation of COVID-19 pandemic control measures, such as temporary lockdown measures, in some cities in the PRC during the Reporting Period in order to control the spread of the COVID-19 pandemic, which adversely affected the provision of some of the Group's community value-added services in the relevant cities.

During the Reporting Period, the Group's revenue in relation to value-added services to non-property owners increased by approximately RMB1.8 million or approximately 1.5% to approximately RMB124.9 million from approximately RMB123.1 million as compared with the same period of 2021. The increase in revenue in relation to value-added services to non-property owners for the Reporting Period was mainly attributable to the increase in the provision of customised services to hospitals, including medical fabric washing services, disinfection services and other essential medical-related items.

Cost of sales and services

During the Reporting Period, the Group's cost of sales and services increased by approximately RMB57.5 million or approximately 14.3% to approximately RMB460.2 million from approximately RMB402.7 million as compared with the same period of 2021. The increase was mainly attributable to (i) the continuous increase in the Group's property management projects and contracted GFA, resulting in an increase in the number of employees and corresponding employee benefit expenses; and (ii) the increase in the Group's subcontracting costs as a result of the increased outsourcing of labour intensive services, such as cleaning and security services.

Gross profit

As a result of the aforementioned key factors, the Group's gross profit increased by approximately 7.3% from approximately RMB135.1 million for the six months ended 30 June 2021 to approximately RMB144.9 million for the six months ended 30 June 2022. The increase was mainly attributable to the overall increase in the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June	
	2022	2021
Property management services	23.3%	23.1%
Community value-added services	24.7%	28.9%
Value-added services to non-property owners	25.2%	26.3%
Overall gross profit margin	24.0%	25.1%

The Group's overall gross profit margin is affected by gross profit margins for each of its business lines. During the Reporting Period, the Group's gross profit margin was approximately 24.0%, representing a decrease of approximately 1.1 percentage points from approximately 25.1% for the corresponding period in 2021.

The gross profit margin of property management services remained stable.

The gross profit margin of community value-added services decreased from approximately 28.9% for the corresponding period in 2021 to approximately 24.7% during the Reporting Period. The decrease was mainly attributable to the reduced revenue received from community value-added services during the Reporting Period due to the implementation of COVID-19 pandemic control measures in some cities in the PRC.

The gross profit margin of value-added services to non-property owners slightly decreased from approximately 26.3% for the corresponding period in 2021 to approximately 25.2% during the Reporting Period. The decrease was mainly attributable to the increase in the Group's provision of medical related services, which has a relatively lower gross profit margin as compared to other value-added services to non-property owners provided by the Group during the Reporting Period.

Other income

During the Reporting Period, the Group's other income amounted to approximately RMB8.0 million, representing an increase of approximately 110.5% from approximately RMB3.8 million for the corresponding period in 2021. The increase was primarily due to the receipt of a listing incentive subsidy, which was granted by the relevant government authority in Chongqing, during the Reporting Period.

Other gains

During the Reporting Period, the Group recorded other gains of approximately RMB1.8 million, representing an increase of approximately 35.7 times from approximately RMB50,000 for the corresponding period in 2021. The increase was primarily due to foreign exchange rate gains derived from Hong Kong dollars held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of promotion expenses and employee benefit expenses. During the Reporting Period, the Group's selling and marketing expenses amounted to approximately RMB9.9 million, representing a decrease of approximately 20.8% from approximately RMB12.5 million for the corresponding period in 2021. The decrease was primarily due to the successful implementation of the Group's cost effective restructuring measures with respect to its marketing-related departments, which in turn streamlined the Group's sales department, thus causing a corresponding decrease in the employee benefit payments payable to the relevant staff.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB74.1 million, representing an increase of approximately 14.0% from approximately RMB65.0 million for the corresponding period in 2021. The increase was mainly because of the expansion in the Group's scale of operations, resulting in an increase in employee benefit expenses since there was an increase in the number of administrative personnel.

Net impairment losses on finance assets

The Group's net impairment losses on financial assets primarily included the impairment provisions for losses arising from potential bad debt in respect of trade receivables and other receivables. During the Reporting Period, the Group's net impairment losses on financial assets amounted to approximately RMB1.5 million, as compared to approximately RMB3.2 million for the corresponding period in 2021, which was mainly due to the impact of a lower expected loss rate of accounts receivable at the beginning of 2021.

Finance income/cost

During the Reporting Period, the Group's finance cost amounted to approximately RMB0.4 million, representing a decrease of approximately 33.3% from approximately RMB0.6 million during the corresponding period in 2021. The decrease was mainly due to the decrease in the interest payable by the Group due to the reduction in the Group's borrowings. As at 30 June 2022, the Group did not have any bank and other borrowings.

Profit before tax

Profit before tax of the Group increased to approximately RMB72.8 million for the Reporting Period by approximately 16.5% from approximately RMB62.5 million for the corresponding period in 2021. The increase was mainly due to the increase in the overall revenue of the Group.

Income tax expense

During the Reporting Period, the Group's income tax expense increased to approximately RMB16.3 million by approximately 19.9% from approximately RMB13.6 million for the corresponding period in 2021, which was mainly due to the increase in the Group's profit before tax, causing a corresponding increase in the Group's corporate income tax expense in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Intangible assets

The Group's intangible assets mainly comprised customer relationship and goodwill generated from a number of companies acquired by the Group. As at 30 June 2022, the Group's intangible assets were approximately RMB276.7 million, representing an increase of approximately 142.3% as compared to approximately RMB114.2 million as at 31 December 2021, primarily due to the goodwill generated by companies acquired by the Group during the Reporting Period and the growth in customer relationship. In particular, the consolidation of (a) Zhejiang Zhongdu Property Management Co., Ltd.* (浙江中都物業管理有限公司) (“**Zhejiang Zhongdu**”); and (b) Hunan Jindian Property Management Co., Ltd.* (湖南金典物業管理有限公司) (“**Hunan Jindian**”) generated (i) customer relationships of approximately RMB30.6 million and approximately RMB18.2 million, respectively; and (ii) goodwill of approximately RMB64.7 million and approximately RMB41.0 million, respectively. For further details regarding the acquisitions of Zhejiang Zhongdu and Hunan Jindian, please refer to the paragraph headed “Material investments, acquisitions and disposals” below.

Trade and other receivables

As at 30 June 2022, the Group's net trade receivables amounted to approximately RMB481.3 million, representing an increase of approximately 22.5% as compared to approximately RMB392.9 million as at 31 December 2021. In particular, trade receivables amounted to RMB493.6 million, representing an increase of approximately 22.3% as compared to approximately RMB403.6 million as at 31 December 2021. Such increase was primarily due to the increase in the Group's accounts receivable as a result of (i) the increase in its property management projects and GFA under management; and (ii) the consolidation of trade receivables of Zhejiang Zhongdu and Hunan Jindian.

Contract assets

The Group's contract assets mainly represents the Group's right to consideration for work performed but unbilled for provision of maintenance and renovation services. As at 30 June 2022, the Group's contract assets amounted to approximately RMB4.2 million, representing an increase of approximately 223.1% from RMB1.3 million as at 31 December 2021, which was mainly due to the increase in unbilled and uncollected payments from the Group's provision of maintenance and renovation services to its customers.

Trade payables

As at 30 June 2022, the Group's trade payables amounted to approximately RMB198.9 million, representing an increase of approximately 10.0% from approximately RMB180.8 million as at 31 December 2021, mainly due to (i) the expansion of the Group's business; and (ii) the increase in the Group's subcontracting costs as a result of the increased outsourcing of some of the Group's services to third parties in order to optimise its operational efficiency.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

Contract liabilities

The Group's contract liabilities mainly represents the advance payments made by customers while the underlying services, primarily property management services, have yet to be provided and thus the relevant revenue has not been recognised. As at 30 June 2022, the Group's contract liabilities amounted to approximately RMB169.5 million, representing a decrease of approximately 12.9% from RMB194.6 million as at 31 December 2021. The Group's contract liabilities are generally higher as at the end of each year as the Group normally encourages property owners to make advanced payments for property management services to be rendered to them in the coming year in the fourth quarter of the current year.

LIQUIDITY AND CAPITAL RESOURCES

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

During the Reporting Period, the Group's principal use of cash was working capital and deposits for acquisition of Zhejiang Zhongdu and Hunan Jindian, which was mainly funded from cash flow generated from operations.

As at 30 June 2022, cash at bank and in hand of the Group was approximately RMB218.1 million, as compared with approximately RMB249.2 million as at 31 December 2021.

During the Reporting Period, net cash used in operating activities was approximately RMB76.8 million, as compared with net cash used in operating activities of approximately RMB81.9 million for the corresponding period in 2021. For the Reporting Period, net cash used in investing activities was approximately RMB59.4 million, as compared with net cash used in investing activities of approximately RMB63.6 million for the corresponding period in 2021. For the Reporting Period, net cash generated from financing activities was approximately RMB103.2 million, as compared with net cash used in financing activities of approximately RMB21.4 million for the corresponding period in 2021.

As at 30 June 2022, the Group's total equity amounted to approximately RMB451.7 million, representing an increase of 75.0% from RMB258.1 million as at 31 December 2021, which was mainly due to (i) the growth resulting from operating profit; and (ii) the funds raised from the successful listing of the H shares of the Company (the "H Shares") on the Stock Exchange on 29 April 2022 (the "Listing Date") during the Reporting Period.

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 (the "Shareholders") through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Reporting Period.

At the end of the Reporting Period, the gearing ratio (defined as total debt divided by total equity) of the Group was approximately 2.0% (as at 31 December 2021: approximately 4.0%).

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGE RATE RISK

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

EMPLOYEES

As at 30 June 2022, the Group had 5,524 employees (31 December 2021: 4,170 employees). During the Reporting Period, the total staff costs were approximately RMB269.9 million (as at 30 June 2021: approximately RMB238.7 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.

BORROWINGS AND PLEDGE OF ASSETS

As at 30 June 2022, the Group did not have any outstanding borrowings or pledge of assets.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities (30 June 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK FOR THE SECOND HALF OF 2022

Upon the H Shares being successfully listed on the Stock Exchange on the Listing Date, the Group adheres to its corporate development strategy of “Big Property • Full Value”, with focus on addressing the life-cycle needs of people and cities with a vision to “establish itself as a respected urban renewal service provider with unique business value”.

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

The H Shares were successfully listed on the Stock Exchange on the Listing Date with 16,666,667 new H Shares issued and, upon the partial exercise of over-allotment option, 16,990,867 H Shares were issued in aggregate. Net proceeds from initial public offering and partial exercise of over-allotment option amounted to approximately HK\$139.8 million in total, after deducting the underwriting fees and relevant expenses (the “**Net Proceeds**”). As at 30 June 2022, the Group has not utilised any of the Net Proceeds.

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

The table below sets out the details of actual usage of the Net Proceeds as at 30 June 2022 and the timeframe for utilising the Net Proceeds as revised by the Announcements:

Item	Percentage	Net Proceeds (HK\$ million)			Unused As at 30 June 2022	Remaining balance expected to be fully used by
		Available Net proceeds from Listing	Used From the Listing Date and up to 30 June 2022	Used For the six months ended 30 June 2022		
Strategic investments, cooperation and acquisition	65.0%	90.9	0	0	90.9	End of year 2023
Improve service quality and extend service offering	16.5%	23.0	0	0	23.0	End of year 2023
Upgrade and develop intelligent systems	8.5%	11.9	0	0	11.9	End of year 2023
General working capital	10.0%	14.0	0	0	14.0	N/A
Total	100.0%	139.8	0	0	139.8	

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group entered into equity transfer agreements on 23 June 2022 to acquire (i) 100% equity interests in Zhejiang Zhongdu at the consideration of approximately RMB79.5 million; and (ii) 80% equity interests in Hunan Jindian (collectively, the “**Acquisitions**”) at the consideration of approximately RMB61.7 million. As at 31 March 2022, the total GFA under management of (i) Zhejiang Zhongdu was approximately 4.8 million sq.m., inclusive of 25 residential property projects and 12 non-residential property projects; and (ii) Hunan Jindian was approximately 7.7 million sq.m., inclusive of 41 non-residential property projects. During the Reporting Period, Chongqing Xin Dongyuan Property Management Company Limited* (重慶新東原物業管理有限公司), a direct wholly-owned subsidiary of the Company, became the sole registered owner of Zhejiang Zhongdu and one of the registered owners of Hunan Jindian. As the Group has become the registered owner(s) of Zhejiang Zhongdu and Hunan Jindian, and has gained management control in such two companies, the financial information of each of Zhejiang Zhongdu and Hunan Jindian has been consolidated with that of the Group as of 30 June 2022. Subsequent to the Reporting Period, the Acquisitions had been completed. As at the date of this interim report, Zhejiang Zhongdu is an indirect wholly-owned subsidiary of the Company and Hunan Jindian is an indirect non-wholly owned subsidiary of the Company. Further details relating to the Acquisitions are disclosed in the announcement of the Company dated 23 June 2022.

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

CAPITAL COMMITMENTS

As at 30 June 2022, the Company had no capital commitments.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Reporting Period and up to the date of this interim report, save as disclosed above, there were no significant events affecting the Group.

INTERIM DIVIDEND

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

* *For identification purposes only*

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance.

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company’s affairs. The Board is committed to the Company’s objective of consistent growth and development and increase in shareholder value. The Board sets strategies for the Company and monitors the performance and activities of the management.

The Board is responsible for performing the corporate governance duties set out in the CG Code. The principal role and function of the Board in relation to corporate governance is to develop and review the Company’s policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements, to formulate, review and monitor the code of conduct applicable to employee and Directors, and to review the Company’s compliance with the CG Code and disclosure in the corporate governance report of the Company.

To the knowledge of the Directors, from the Listing Date until 30 June 2022 and up to the date of this interim report, the Company has complied with all applicable code provisions set out in the CG Code. The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

After specific enquiries made to all Directors and Supervisors, the Directors and Supervisors have confirmed compliance with the required standard set out in the Model Code from the Listing Date and up to the date of this interim report.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

As of the date of this interim report, there were no changes in the information of the Directors, Supervisors and chief executive officer of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of 30 June 2022, the interests and short position of the Directors, the Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long position in the shares of the Company

Name	Number of Shares held as at 30 June 2022	Class of Shares held	Capacity/ Nature of interest	Approximate shareholding percentage in the relevant class (Note 2)	Approximate shareholding percentage in the total issued share capital of the Company (Note 3)
Mr. Fan Dong (Note 4)	4,990,000 (L)	Domestic Shares	Interest in a controlled corporation	16.36%	7.45%

Notes:

- The letter "L" denotes the person's long position in such securities.
- The calculation is based on 30,510,000 Domestic Shares in issue as at 30 June 2022.
- The calculation is based on the total number of 66,990,867 Shares in issue as at 30 June 2022.
- Mr. Fan Dong is interested in approximately 52.74% of the equity interest in Tianjin Shengyihe Management Consulting Partnership Enterprise (Limited Partnership)* (天津盛益合企業管理諮詢合夥企業 (有限合夥), "Tianjin Partnership") and is therefore deemed to be interested in all the Shares held by Tianjin Partnership, by the virtue of SFO.

* For identification purposes only

CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Interest in Tianjin Partnership

Name of Director	Capacity/ Nature of interest	Equity interest	Approximate percentage of the equity holding
Mr. Fan Dong	Beneficial owner	RMB1.05 million	52.74%

Save as disclosed above, no other Director, Supervisor or chief executive of the Company had interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) recorded in the register.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Company, as at 30 June 2022, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director, Supervisor or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Class of Shares held	Nature of interest	Number of Shares held as at 30 June 2022	Approximate shareholding percentage in the relevant class (Note 2) (%)	Approximate shareholding percentage in the total issued share capital of the Company (Note 3) (%)
Tianjin Chengfang Corporate Management Consultant Company Limited* (天津澄方企業管理諮詢有限公司) ("Tianjin Chengfang")	Domestic Shares	Beneficial owner	25,520,000 (L)	83.64	38.09
Chongqing Dima Ruisheng Co. Ltd.* (重慶迪馬睿升實業有限公司) ("Dima Ruisheng")	Domestic Shares	Interest in a controlled corporation (Note 4)	25,520,000 (L)	83.64	38.09
Dima Holdings Co., Ltd.* (重慶市迪馬實業股份有限公司) ("Dima")	Domestic Shares	Interest in a controlled corporation (Note 4)	25,520,000 (L)	83.64	38.09

* For identification purposes only

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Class of Shares held	Nature of interest	Number of Shares held as at 30 June 2022	Approximate shareholding percentage in the relevant class	Approximate shareholding percentage in the total issued share capital of the Company
				(Note 2) (%)	(Note 3) (%)
Chongqing Doyen Holdings Group Co., Ltd.* (重慶東銀控股集團有限公司) ("Chongqing Doyen")	Domestic Shares	Interest in a controlled corporation (Note 4)	25,520,000 (L)	83.64	38.09
Mr. Lo Siu Yu ("Mr. Lo")	Domestic Shares	Interest in a controlled corporation (Note 4)	25,520,000 (L)	83.64	38.09
Ms. Zhao Jiehong ("Ms. Zhao")	Domestic Shares	Interest of spouse (Note 5)	25,520,000 (L)	83.64	38.09
Tianjin Partnership	Domestic Shares	Beneficial owner	4,990,000 (L)	16.36	7.45
Mr. Fan Dong	Domestic Shares	Interest in a controlled corporation (Note 6)	4,990,000 (L)	16.36	7.45
Ms. Xia Qing	Domestic Shares	Interest of spouse (Note 7)	4,990,000 (L)	16.36	7.45
Mr. Liu Xing	Domestic Shares	Interest in a controlled corporation (Note 6)	4,990,000 (L)	16.36	7.45
Ms. Ma Xuemei	Domestic Shares	Interest of spouse (Note 8)	4,990,000 (L)	16.36	7.45
Kingdom Vast Limited	Unlisted Foreign Shares	Beneficial owner	12,705,000 (L)	65.19	18.97
RAF Capital Group Limited	Unlisted Foreign Shares	Interest in a controlled corporation (Note 9)	12,705,000 (L)	65.19	18.97

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Class of Shares held	Nature of interest	Number of Shares held as at 30 June 2022	Approximate shareholding percentage in the relevant class (Note 2) (%)	Approximate shareholding percentage in the total issued share capital of the Company (Note 3) (%)
Mr. Wang Hao	Unlisted Foreign Shares	Interest in a controlled corporation (Note 9)	12,705,000 (L)	65.19	18.97
Ms. Zhang Xiangnong	Unlisted Foreign Shares	Interest of spouse (Note 10)	12,705,000 (L)	65.19	18.97
Harvest Fund Management Co., Ltd.	Unlisted Foreign Shares	Interest in a controlled corporation (Note 11)	6,785,000 (L)	34.81	10.13
China Credit Trust Co., Ltd	Unlisted Foreign Shares	Interest in a controlled corporation (Note 11)	6,785,000 (L)	34.81	10.13
成都照月投資管理有限公司	H Shares	Investment manager	3,855,000 (L)	22.69	5.75
China Hongqiao Holdings Limited	H Shares	Beneficial owner	3,325,000 (L)	19.57	4.96
Shiping Prosperity Private Trust Company	H Shares	Interest in a controlled corporation (Note 12)	3,325,000 (L)	19.57	4.96
Xi Wang Developments Limited	H Shares	Beneficial owner	2,490,000 (L)	14.65	3.72
Ke Jiaqi	H Shares	Interest in a controlled corporation (Note 13)	2,490,000 (L)	14.65	3.72

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Class of Shares held	Nature of interest	Number of Shares held as at 30 June 2022	Approximate shareholding percentage in the relevant class	Approximate shareholding percentage in the total issued share capital of the Company
				(Note 2) (%)	(Note 3) (%)
GUOTAI JUNAN INVESTMENTS (HONG KONG) LIMITED ("GTJA Investments")	H Shares	Nominee for another person (other than a bare trustee) (Note 14)	2,025,000 (L)	11.92	3.02
			2,025,000 (S)	11.92	3.02
Guotai Junan Securities Co., Ltd	H Shares	Interest in a controlled corporation (Note 14)	2,025,000 (L)	11.92	3.02
			2,025,000 (S)	11.92	3.02
SOCIETE GENERALE	H Shares	Beneficial owner	1,830,000 (L)	10.77	2.73
Hong Kong Li Hong Company Limited	H Shares	Beneficial owner	1,663,000 (L)	9.79	2.48
Luo Xu	H Shares	Beneficial owner	1,663,000 (L)	9.79	2.48
耀昇投資有限公司	H Shares	Beneficial owner	969,200 (L)	5.70	1.45
PROFIT RIDER LIMITED	H Shares	Interest in a controlled corporation (Note 15)	969,200 (L)	5.70	1.45
Chan Wai Shan	H Shares	Interest in a controlled corporation (Note 15)	969,200 (L)	5.70	1.45

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The letters “L” and “S” denotes the person’s long position and short position in such securities, respectively.
2. The calculation is based on 30,510,000 Domestic Shares, 19,490,000 Unlisted Foreign Shares and 16,990,867 H Shares in issue as at 30 June 2022.
3. The calculation is based on the total number of 66,990,867 Shares in issue as at 30 June 2022.
4. Tianjin Chengfang was wholly-owned by Dima Ruisheng which was in turn wholly-owned by Dima. As at 30 June 2022, Dima was an A-share company listed on the Shanghai Stock Exchange and its equity interests were owned by Chongqing Doyen, Ms. Zhao and Chongqing Shuorun as to approximately 34.76%, 4.46% and 2.94% respectively. Chongqing Shuorun’s equity interests were owned by Chongqing Doyen and Ms. Zhao as to approximately 98.96% and 1.04% respectively, while Chongqing Doyen’s equity interests were owned by Mr. Lo and Ms. Zhao as to approximately 77.78% and 22.22% respectively. By virtue of the SFO, each of Mr. Lo, Chongqing Doyen, Dima and Dima Ruisheng are deemed to be interested in all the Shares held by Tianjin Chengfang.
5. Ms. Zhao is the spouse of Mr. Lo. By virtue of the SFO, Ms. Zhao is deemed to be interested in all the Shares held by Mr. Lo.
6. Tianjin Partnership’s equity interests were owned by Mr. Fan Dong and Mr. Liu Xing as to approximately 52.74% and 37.18%, respectively. By the virtue of SFO, each of Mr. Fan Dong and Mr. Liu Xing is deemed to be interested in all the Shares held by Tianjin Partnership.
7. Ms. Xia Qing is the spouse of Mr. Fan Dong. By virtue of the SFO, Ms. Xia Qing is deemed to be interested in all the Shares held by Mr. Fan Dong.
8. Ms. Ma Xuemei is the spouse of Mr. Liu Xing. By virtue of the SFO, Ms. Ma Xuemei is deemed to be interested in all the Shares held by Mr. Liu Xing.
9. Kingdom Vast Limited was wholly-owned by RAF Capital Group Limited, which was in turn was wholly-owned by Mr. Wang Hao. By virtue of the SFO, each of RAF Capital Group Limited and Mr. Wang Hao is deemed to be interested in all the Shares held by Kingdom Vast Limited.
10. Ms. Zhang Xiangnong is the spouse of Mr. Wang Hao. By virtue of the SFO, Ms. Zhang Xiangnong is deemed to be interested in all the Shares held by Mr. Wang Hao.

CORPORATE GOVERNANCE AND OTHER INFORMATION

11. Each of (i) Harvest International Premium Value (Alternative Investments) Fund SPC on behalf of Property Management Investment SP (being the sole shareholder of Harvest Property Management Investment Limited); (ii) Harvest Global Capital Investments Limited (being the sole shareholder of Harvest International Premium Value (Alternative Investments) Fund SPC on behalf of Property Management Investment SP); (iii) Harvest Alternative Investment Group Limited (being the sole shareholder of Harvest Global Capital Investments Limited); (iv) Harvest Global Investments Limited (being a shareholder holding 90% of Harvest Alternative Investment Group Limited); (v) Harvest Fund Management Co., Ltd.* (嘉實基金管理有限公司) (being the sole shareholder of Harvest Global Investments Limited); and (vi) China Credit Trust Co., Ltd. (being the equity holder of 40% of equity interest in Harvest Fund Management Co., Ltd.* (嘉實基金管理有限公司)) is deemed to be interested in all the Shares held by Harvest Property Management Investment Limited by virtue of the SFO.
12. China Hongqiao Holdings Limited was wholly-owned by and is accustomed to act with Shiping Prosperity Private Trust Company. By virtue of the SFO, Shiping Prosperity Private Trust Company is deemed to be interested in all the Shares held by China Hongqiao Holdings Limited.
13. Xi Wang Developments Limited was wholly-owned by Ke Jiaqi. By virtue of the SFO, Ke Jiaqi is deemed to be interested in all the Shares held by Xi Wang Developments Limited.
14. GTJA Investments hold such securities for hedging purpose as the single underlying asset of a cross border delta one back-to-back total return swap transaction between GTJA Investments and Guotai Junan Securities Co. Ltd.. For further details, please refer to the announcement of the Company dated 28 April 2022 in relation to, among others, offer price and allotment results. GTJA Investments was wholly-owned by Guotai Junan Financial Holdings Limited, which in turn was wholly-owned by Guotai Junan Securities Co., Ltd.. By virtue of the SFO, each of Guotai Junan Financial Holdings Limited and Guotai Junan Securities Co., Ltd. is deemed to be interested in all the Shares held by GTJA Investments.
15. 耀昇投資有限公司 was wholly-owned by PROFIT RIDER LIMITED, which in turn was wholly-owned by Chan Wai Shan. By virtue of the SFO, each of Chan Wai Shan and PROFIT RIDER LIMITED is deemed to be interested in all the Shares held by 耀昇投資有限公司.

Save as disclosed above, as of 30 June 2022, the Company had not been notified of any persons (other than a Director, supervisory or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

* *For identification purposes only*

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed “Directors’, supervisors’ and chief executive’s interests and short positions in shares, underlying shares and debentures of the company or its associated corporations” above, at no time in the period was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements which enable the Directors and the Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and the Supervisors, or any of their spouses or children under 18 years of age was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this interim report, the Company maintained sufficient public float as required under Rule 8.08 of the Listing Rules.

AUDIT COMMITTEE REVIEW

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

The primary duties of the Audit Committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iii) formulating and reviewing the Company’s policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) formulating, reviewing and monitoring the code of conduct applicable to the employees of the Group and Directors. The Audit Committee consists of three members, including Ms. Yi Lin, Mr. Wang Susheng and Mr. Song Deliang. The Audit Committee is chaired by Mr. Song Deliang, an independent non-executive Director who possesses appropriate professional accounting and related financial management expertise. The Audit Committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended 30 June 2022 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

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

From the Listing Date to 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS IN COMPETING BUSINESS

None of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to 30 June 2022.

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. Yi Lin
Chairman and non-executive Director

Hong Kong, 23 August 2022

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	605,111	537,777
Cost of sales and services		(460,180)	(402,687)
Gross profit		144,931	135,090
Selling and marketing expenses		(9,882)	(12,455)
Administrative expenses		(74,066)	(64,993)
Net impairment losses on financial assets		(1,449)	(3,176)
Other income		8,038	3,771
Other gains – net		1,833	50
Operating profit		69,405	58,287
Finance income		178	170
Finance costs	6	(390)	(615)
Finance income/(costs) – net		(212)	(445)
Share of results of investments accounted for using the equity method		3,572	4,635
Profit before income tax expense	7	72,765	62,477
Income tax expense	8	(16,343)	(13,560)
Profit and total comprehensive income for the period		56,422	48,917
Total comprehensive income for the period attributable to:			
– Owner of the Company		55,382	47,869
– Non-controlling interests		1,040	1,048
		56,422	48,917
Earnings per share – Basic and diluted (RMB)	10	0.99	0.96

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	23,939	19,579
Right-of-use assets	12	8,832	10,669
Intangible assets	13	276,733	114,201
Investments accounted for using the equity method	14	17,693	24,118
Contract costs		7,078	8,653
Long-term prepayments	17	4,192	2,562
Deferred income tax assets		7,743	8,436
Total non-current assets		346,210	188,218
Current assets			
Inventories	15	51,718	51,823
Trade and other receivables	16	515,161	417,860
Contract assets		4,239	1,301
Dividends receivables		1,580	2,580
Prepayments	17	25,607	42,690
Current income tax receivables		567	10,373
Restricted cash balance		670	–
Cash and cash equivalents		218,050	249,162
Total current assets		817,592	775,789
Total assets		1,163,802	964,007
Capital and reserves attributable to owners of the Company			
Share capital	18	66,991	50,000
Reserves		201,614	85,692
Retained earnings		162,280	113,530
Equity attributable to owners of the Company		430,885	249,222
Non-controlling interests		20,765	8,830
TOTAL EQUITY		451,650	258,052

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities	12	5,262	6,520
Financial liabilities at fair value through profit or loss		2,000	4,000
Deferred income tax liabilities		15,550	9,042
Total non-current liabilities		22,812	19,562
Current liabilities			
Trade payables	19	198,932	180,793
Accruals and other payables	19	305,834	254,642
Contract liabilities	20	169,495	194,632
Lease liabilities	12	3,640	3,854
Financial liabilities at fair value through profit or loss		2,000	2,000
Dividend payable	9	–	45,267
Current income tax liabilities		9,439	5,205
Total current liabilities		689,340	686,393
Total liabilities		712,152	705,955
Total equity and liabilities		1,163,802	964,007

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total attributable to owners of the Company	Non- controlling interest	Total
	Share Capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Share Premium <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Share- based payments <i>RMB'000</i>	Retained earnings <i>RMB'000</i>			
Balance as at 1 January 2021 (audited)	50,000	3,271	-	14,928	47,232	911	42,493	158,835	6,665	165,500
Profit for the period	-	-	-	-	-	-	47,869	47,869	1,048	48,917
Transfer from retained earnings to statutory reserve	-	-	-	5,982	-	-	(5,982)	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	490	490
Employee share award scheme										
- Value of employee services	-	-	-	-	-	834	-	834	-	834
As at 30 June 2021 (unaudited)	<u>50,000</u>	<u>3,271</u>	<u>-</u>	<u>20,910</u>	<u>47,232</u>	<u>1,745</u>	<u>84,380</u>	<u>207,538</u>	<u>8,203</u>	<u>215,741</u>

	Attributable to owners of the Company							Total attributable to owners of the Company	Non- controlling interest	Total
	Share Capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Share Premium <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Share- based payments <i>RMB'000</i>	Retained earnings <i>RMB'000</i>			
Balance as at 1 January 2022 (audited)	50,000	3,271	-	32,611	47,232	2,578	113,530	249,222	8,830	258,052
Profit for the period	-	-	-	-	-	-	55,382	55,382	1,040	56,422
Transfer from retained earnings to statutory reserve	-	-	-	6,632	-	-	(6,632)	-	-	-
Addition of non-controlling interests from business combination	-	-	-	-	-	-	-	-	10,895	10,895
Issuance of new shares upon listing (Note 18(i))	16,667	-	143,038	-	-	-	-	159,705	-	159,705
Expenses attributed to issuance of new shares upon listing	-	-	(36,605)	-	-	-	-	(36,605)	-	(36,605)
Exercise of the over-allotment option in relation to initial public offer (Note 18(i))	324	-	2,857	-	-	-	-	3,181	-	3,181
As at 30 June 2022 (unaudited)	<u>66,991</u>	<u>3,271</u>	<u>109,290</u>	<u>39,243</u>	<u>47,232</u>	<u>2,578</u>	<u>162,280</u>	<u>430,885</u>	<u>20,765</u>	<u>451,650</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash used in operations	(68,114)	(65,687)
Income tax paid	(8,653)	(16,255)
Net cash used in operating activities	(76,767)	(81,942)
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,395)	(4,445)
Purchases of intangible assets	-	(1,418)
Proceeds from disposal of property, plant and equipment	87	123
Investments in joint ventures	(2,040)	-
Acquisition of subsidiaries, net of cash acquired	(58,078)	(65,129)
Dividends received	4,009	2,050
Advancements to related parties	-	(155,010)
Repayments from related parties	-	160,010
Release of restricted cash	-	201
Net cash used in investing activities	(59,417)	(63,618)
Cash flows from financing activities		
Advancements from related parties	-	44,413
Repayments of financial liabilities at fair value through profit or loss	(2,000)	-
Repayment to related parties	-	(40,933)
Capital contribution from non-controlling interests	-	490
Repayments of borrowings	-	(11,000)
Interest paid	(61)	(304)
Dividend paid to shareholders of the Company	(45,267)	-
Dividend paid to original shareholders of the acquired subsidiaries	(3,246)	-
Repayment of principal portion of the lease liabilities	(1,854)	(3,536)
Proceeds from issue of new ordinary shares upon listing	162,886	-
Expenses attributed to issuance of new shares upon listing	(7,258)	(10,483)
Net cash generated from/(used in) financing activities	103,200	(21,353)
Net decrease in cash and cash equivalents	(32,984)	(166,913)
Exchange gains on cash and cash equivalents	1,872	-
Cash and cash equivalents at the beginning of period	249,162	233,950
Cash and cash equivalents at the end of period	218,050	67,037
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	218,050	67,037

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Dowell Service Group Co. Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 13 January 2015 as a limited liability company. Upon approval by the shareholders’ general meeting held on 13 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name to “DOWELL SERVICE GROUP CO. LIMITED* (東原仁知城市運營服務集團股份有限公司)” on 30 December 2020. The address of the Company’s registered office is Room 206, Commercial Building, B1/F, Baihe Road, Nanping Town, Nan’an District, Chongqing, PRC. Its H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 29 April 2022.

The Company’s parent is Tianjin Chengfang Corporate Management Consultant Co. Ltd. (“Tianjin Chengfang”), a company established in the PRC, and the directors consider its ultimate parent is Dima Holdings Co., Ltd. (“Dima Holdings” or “Dima”), a company established in the PRC engaging in the real estate industry with its shares listed on the Shanghai Stock Exchange.

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

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These condensed consolidated financial statements were authorised for issue on 23 August 2022.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the Group’s the consolidated financial statements for the years ended 31 December 2019, 2020 and 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”), as set out in the prospectus of the Company dated 19 April 2022 (the “Prospectus”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022. Details of changes in accounting policies, and their effect on these condensed consolidated financial statements, are set out in Note 3.

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

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

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

3. PRINCIPAL ACCOUNTING POLICIES

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

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial period beginning on 1 January 2022.

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendment to HKFRS 1
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases

The new and revised standards, amendments and interpretations that are effective from 1 January 2022 did not have any significant impact on the Group’s accounting policies.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimate ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹

¹ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

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

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

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

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

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- i) Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- ii) Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- iii) Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two addition examples on the application of materiality to accounting policy disclosures.

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

Amendments to HKAS 8 - Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainly.

The amendments also, clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 12 – Deferred Tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)- Interpretation 21 Levies, the acquirer applies HK(IFRIC)- Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

4. USE OF JUDGEMENTS AND ESTIMATES

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

5. REVENUE AND SEGMENT INFORMATION

Operating segments

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

Geographical information

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

The geographical location of non-current assets is based on the physical location of the assets. As at 30 June 2022 and 31 December 2021, all of the Group's non-current assets are located in the PRC.

Revenue mainly comprises proceeds from property management services, community value-added services, and value-added services to non-property owners. An analysis of the Group's revenue by category is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from customer and recognised over time		
Property management services	366,254	298,279
Community value-added services	73,053	53,038
Value-added services to non-property owners	111,856	112,015
	551,163	463,332
Revenue from customer and recognised at point in time		
Community value-added services	40,903	63,399
Value-added services to non-property owners	13,045	11,046
	53,948	74,445
	605,111	537,777

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	–	204
Interest expense on factoring arrangements	61	66
Interest expenses on lease liabilities	329	345
	390	615

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Auditors' remuneration	97	550
Cost of inventories recognised as expenses	1,864	2,265
Depreciation charge:		
– Owned property, plant and equipment	3,229	2,487
– Right-of-use-assets	1,887	2,481
	<u>5,116</u>	<u>4,968</u>
Research and development costs	194	2,342
Provision of impairment loss recognised on trade receivables, net	85	2,941
Net (losses)/gains from disposal of property, plant and equipment	(74)	5
Government subsidies	<u>6,280</u>	<u>2,335</u>

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax – PRC Enterprise Income Tax (the “PRC EIT”)	17,715	15,000
Deferred tax	(1,372)	(1,440)
Income tax expenses	<u>16,343</u>	<u>13,560</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE *(Continued)*

Pursuant to the income tax rules and regulations of the PRC, the general corporate income tax rate in the PRC is 25%. Certain subsidiaries of the Group is calculated based on the preferential tax rate of 15% as they are recognised as the enterprises of Development of the West Regions. Certain subsidiaries of the Group is calculated based on the preferential tax rate of 20% or 10% with a deemed preferential profit rate as they are small and micro enterprises.

9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2022 has been proposed by the directors of the Company (Six months ended 30 June 2021: Nil).

For the dividend of RMB52,800,000 declared in 2020, RMB47,533,000 was paid in 2020. The dividend of RMB40,000,000 declared in 2021 was not paid in 2021. As at 31 December 2021, there was dividend payable of RMB45,267,000, which was paid subsequently in January 2022.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share <i>(RMB'000)</i>	55,382	47,869
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	56,052,599	50,000,000
Basic and diluted earnings per share <i>(RMB)</i>	0.99	0.96

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

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of RMB3,077,000 during the six months ended 30 June 2022 (Six months ended 30 June 2021: RMB3,252,000) on property, plant and equipment to expand property portfolio and business scale.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Office buildings <i>RMB'000</i>	Equipment and others <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021 (audited)	16,408	38	16,446
Addition	5,475	2	5,477
Cancellation of lease	(5,878)	–	(5,878)
Depreciation for the year	(5,356)	(20)	(5,376)
	<u>10,649</u>	<u>20</u>	<u>10,669</u>
As at 31 December 2021 (audited)	10,649	20	10,669
Acquired through business combinations	406	–	406
Cancellation of lease	(356)	–	(356)
Depreciation for the period	(1,877)	(10)	(1,887)
	<u>8,822</u>	<u>10</u>	<u>8,832</u>
As at 30 June 2022 (unaudited)	<u>8,822</u>	<u>10</u>	<u>8,832</u>

Lease Liabilities

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within one year	3,640	3,854
More than one year, but not exceeding two years	3,192	3,986
More than two years, but not exceeding five years	2,070	2,534
	<u>8,902</u>	<u>10,374</u>
Analysed as:		
Current portion	3,640	3,854
Non-current portion	5,262	6,520
	<u>8,902</u>	<u>10,374</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS

	Software <i>RMB'000</i>	Customer relationships <i>RMB'000</i> <i>(note (a))</i>	Goodwill <i>RMB'000</i> <i>(note (b))</i>	Total <i>RMB'000</i>
Cost				
As at 1 January 2021 (audited)	2,683	39,053	76,729	118,465
Additions	1,639	–	–	1,639
As at 31 December 2021 and 1 January 2022 (audited)	4,322	39,053	76,729	120,104
Additions	630	–	–	630
Acquired through business combinations	–	56,535	109,004	165,539
As at 30 June 2022 (unaudited)	4,952	95,588	185,733	286,273
Accumulated amortisation and impairment				
As at 1 January 2021 (audited)	156	202	–	358
Provided for the year	699	4,846	–	5,545
As at 31 December 2021 and 1 January 2022 (audited)	855	5,048	–	5,903
Provided for the period	969	2,668	–	3,637
As at 30 June 2022 (unaudited)	1,824	7,716	–	9,540
Net book value				
As at 30 June 2022 (unaudited)	3,128	87,872	185,733	276,733
As at 31 December 2021 (audited)	3,467	34,005	76,729	114,201

During the six months ended 30 June 2022, the Group mainly 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 21). The acquisition was accounted for as an asset deal and the corresponding asset was recognised as customer relationships of RMB30,600,000 and RMB18,174,000 respectively. Goodwill of RMB64,665,000 and RMB41,041,000 were allocated to Zhejiang Zhongdu and Hunan Jindian respectively.

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS (Continued)

(a) Customer relationships

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Hubei Zhonghe Century Property Management Co., Ltd.* ("Hubei Zhonghe")	945	1,015
Chongqing Shengdu Property Management Co., Ltd.* ("Chongqing Shengdu")	2	2
GSN Property Service Co., Ltd.* ("GSN")	20,069	21,612
Guangxi Dongyuan Shengkang Logistics Management Service Co., Ltd.* ("Guangxi Shengkang")	10,563	11,376
Mianyang Ruisheng Property Management Co., Ltd.* ("Mianyang Ruisheng") (Note 14 (a))	7,519	–
Hunan Jindian (Note 21)	18,174	–
Zhejiang Zhongdu (Note 21)	30,600	–
	87,872	34,005

(b) Goodwill

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

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Chongqing Shengdu	1,031	1,031
GSN	62,273	62,273
Guangxi Shengkang	13,425	13,425
Mianyang Ruisheng (Note 14 (a))	3,298	–
Hunan Jindian (Note 21)	41,041	–
Zhejiang Zhongdu (Note 21)	64,665	–
	185,733	76,729

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS *(Continued)*

(b) Goodwill *(Continued)*

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

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Beginning of the period/year	24,118	22,636
Investment in joint ventures	2,040	1,530
Share of post-tax profits of joint ventures and associates	3,572	7,162
Dividends distribution	(3,009)	(7,210)
Change of control <i>(note a)</i>	(9,028)	–
	<hr/>	<hr/>
End of the period/year	17,693	24,118
	<hr/> <hr/>	<hr/> <hr/>

Note: (a) On 1 April 2022, Chongqing Xindongyuan Property Management Co., Ltd.* (“Chongqing Xindongyuan”) (重慶新東原物業管理有限公司), a subsidiary of the Company, agreed with a shareholder of a joint venture, Mianyang Ruisheng to obtain the 1% voting right of the Mianyang Ruisheng which the shares are owned by another shareholder. After the agreement, Chongqing Xindongyuan owned 51% voting right. According to the Article of Association of Mianyang Ruisheng, shareholders owns 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.

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. INVENTORIES

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Parking spaces	44,576	46,440
Consumables	7,706	5,947
	52,282	52,387
Less: provision for impairment of inventories	(564)	(564)
	51,718	51,823

16. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Trade receivables		
Trade receivables due from related parties (Note 24)	194,699	215,347
Trade receivables due from third parties	298,323	188,237
Bills receivables due from related parties (Note 24)	547	–
	493,569	403,584
Less: provision for impairment of trade receivables	(12,223)	(10,710)
	481,346	392,874
Other receivables		
Other receivables due from related parties (Note 24)	1,140	819
Other receivables due from third parties		
– Payments on behalf of property owners (note (i))	5,770	6,758
– Deposits	12,805	9,388
– Advances to employees	8,938	3,635
– Others	5,834	4,738
	34,487	25,338
Less: provision for impairment of other receivables	(672)	(352)
	33,815	24,986
	515,161	417,860

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

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

An ageing analysis of trade and bills receivables, based on the invoice dates, as of 30 June 2022 and 31 December 2021 is as follows:

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Less than 1 year	438,643	344,378
1 to 2 years	40,155	47,157
2 to 3 years	6,493	6,018
Over 3 years	8,278	6,031
	493,569	403,584
Less: provision for impairment of trade receivables	(12,223)	(10,710)
	481,346	392,874

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. PREPAYMENTS

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Current – Prepayments to third parties		
Prepaid listing expenses	–	21,520
Prepaid other tax	6,566	7,841
Prepaid utility expenses	6,908	3,579
Prepaid other operating expenses	12,133	9,750
	25,607	42,690
Non-current – Prepayments to third parties		
Prepaid other operating expenses	4,192	2,562
	29,799	45,252

18. SHARE CAPITAL

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE CAPITAL (Continued)

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

	Number '000	Amount RMB'000
As at 1 January 2021, 31 December 2021 and 1 January 2022 (audited)	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
	<hr/>	<hr/>
As at 30 June 2022 (unaudited)	<u>66,991</u>	<u>66,991</u>

Notes:

- (i) In connection with the Company's issuance of new shares upon listing, the Company allotted and issued 16,666,667 H shares of RMB1 each at a price of HK\$11.9 per Share on 28 April 2022 as a result of the 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 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 were credited to the Company's share capital account. The remaining proceeds of RMB2,857,000 were credited to the Company's share premium account.

19. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Trade payables		
Trade payables due to related parties (Note 24)	5,289	2,884
Trade payables due to third parties		
– Payables for labor costs	138,149	139,885
– Payables for construction costs	39,260	24,128
– Payables for consumables	16,234	13,896
	<hr/>	<hr/>
	<u>198,932</u>	<u>180,793</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Accruals and other payables		
Other payables due to related parties (Note 24)	9,321	7,924
Accruals and other payables due to third parties		
– Outstanding cash consideration payable for business combinations	65,200	8,943
– Employee benefit payables	55,082	77,779
– Deposits	58,551	49,410
– Temporary receipts from property owners	31,059	30,719
– Other taxes payables	19,994	26,287
– Dividend payable to the original shareholders of the acquired subsidiaries	6,351	5,515
– Cash collected on behalf of property owners	50,194	41,135
– Accrued operating expenses	8,999	6,460
– Others	1,083	470
	305,834	254,642

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

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

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Less than 1 year	193,996	161,345
1 to 2 years	4,051	18,314
2 to 3 years	725	932
Above 3 years	160	202
	198,932	180,793

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. CONTRACT LIABILITIES

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Property management services	130,824	140,922
Community value-added services	33,145	49,861
Value-added services to non-property owners	5,526	3,849
	169,495	194,632

21. BUSINESS COMBINATION DURING THE PERIOD

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. BUSINESS COMBINATION DURING THE PERIOD *(Continued)*

Fair value of consideration paid

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

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

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

The goodwill recognised will not be deductible for tax purposes.

Since the acquisition date, Zhejiang Zhongdu has not contributed to group revenues and group profit. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB649,453,000 and group profit for the period would have been RMB57,353,000.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. BUSINESS COMBINATION DURING THE PERIOD *(Continued)*

Hunan Jindian *(Continued)*

	Book value RMB'000	Adjustment RMB'000	Fair value RMB'000
Property, plant and equipment	2,906	560	3,466
Intangible assets	–	18,174	18,174
Right-of-use assets	406	–	406
Long-term prepayments	176	(135)	41
Inventories	15	–	15
Trade and other receivables	14,189	–	14,189
Prepayments	7	(1)	6
Cash	5,485	–	5,485
Trade payables	(135)	–	(135)
Accruals and other payables	(12,151)	–	(12,151)
Lease liabilities	(413)	–	(413)
Contract liabilities	(471)	–	(471)
Deferred income tax liabilities	–	(2,790)	(2,790)
	<u>10,014</u>	<u>15,808</u>	
Total net assets			25,822
Less: non-controlling interests			<u>(5,163)</u>
Net assets acquired			<u>20,659</u>

Fair value of consideration paid

	Fair value RMB'000
Cash consideration	<u>61,700</u>
Goodwill <i>(Note 13 (b))</i>	<u>41,041</u>

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

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

The goodwill recognised will not be deductible for tax purposes.

Since the acquisition date, Hunan Jindian has not contributed to group revenues and group profit. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB634,772,000 and group profit for the period would have been RMB56,122,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE-BASED PAYMENTS

Dima Holdings restricted shares and share options schemes

On 29 March 2019 and 24 August 2020, Dima Holdings announced two share option and restricted-share schemes, under which Dima Holdings granted 300,000 share options to the certain employees of the Group and a total of 3,300,000 Restricted Stock Units (“RSUs”) to the certain employees of the Group, including directors and senior executives, respectively. The Group received services from the employees as consideration for equity instruments of Dima Holdings. According to the scheme, the share options and RSUs are exercisable during the following periods, during which Dima Holdings and its subsidiaries (“Group”) should fulfill the target increase rate of net profit ratio and the employees should also fulfill their personal KPI targets:

- (i) 50% on the dates during 12 months and 24 months after the grant dates;
- (ii) 50% on the dates during 24 months and 36 months after the grant dates.

The total fair value of the share options as at the grant date determined by using Black-Scholes model is approximately RMB255,000. The total fair value of the RSUs granted as at the grant date determined based on the stock price is approximately RMB5,181,000.

The share-based payment expenses charged to the consolidated statement of comprehensive income during the six-months ended 30 June 2021 for RSU were approximately RMB834,000.

No share-based payment expenses charged to the consolidated statement of comprehensive income during the six-months ended 30 June 2022 for RSU.

23. FINANCIAL INSTRUMENTS

Fair value

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, dividends receivables, trade payables, other payables, dividend payable and lease liabilities.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade payables and other payables approximates fair value.

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2022 and 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY DISCLOSURES

(a) Names and relationships with related parties

The following companies and individuals are related parties of the Group that had balances and/or transactions with the Group for the periods ended.

Name of related parties	Relationship with the Group
Dima Group	Ultimate holding company and its subsidiaries
Tianjin Shengyihe Partnership*	Non-controlling shareholder of the Company
Chengdu Dexin Dongyi Real Estate Co., Ltd.*	Associate of Dima Holdings
Chengdu Dongyuan Zhifang Real Estate Co., Ltd.*	Associate of Dima Holdings
Chengdu Jintong Real Estate Co., Ltd.*	Associate of Dima Holdings
Chengdu Jiulian Dongyuan City Management Services Co., Ltd.*	Associate of Dima Holdings
Chengdu Wangpu Licheng Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chengdu Yifeng Tianche Real Estate Co., Ltd.*	Associate of Dima Holdings
Chengdu Yifeng Tiancheng Real Estate Co., Ltd.*	Associate of Dima Holdings
Chengdu Zhifang Real Estate Co., Ltd.*	Associate of Dima Holdings
Chongqing Dongbo Zhihe Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chongqing Dongyinyuan Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chongqing Dongyujin Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chongqing Lidong Integrated Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chongqing Nan'an District Biheyuan Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chongqing Rongchuang Dongli Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chongqing Shengdong Junhe Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chongqing Shengzi Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Chongqing Zhiyuan Chengfang Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Hangzhou Linsheng Real Estate Co., Ltd.*	Associate of Dima Holdings
Hangzhou Nanguang Real Estate Co., Ltd.*	Associate of Dima Holdings
Henan Rongtian Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Mianyang Hongyuan Lingyue Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Shanghai Lizhi Real Estate Development Co., Ltd.*	Associate of Dima Holdings

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY DISCLOSURES (Continued)

(a) Names and relationships with related parties (Continued)

Name of related parties	Relationship with the Group
Suzhou Binyuan Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Suzhou Dongli Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Suzhou Ruisheng Real Estate Development Co., Ltd.*	Associate of Dima Holdings
Xi'an Dongyuan Aohui Property Services Co., Ltd.*	Associate of Dima Holdings
Xi'an Shiyuan Shenchuan Real Estate Co., Ltd.*	Associate of Dima Holdings
Hangzhou Ruicheng Real Estate Co., Ltd.*	Associate of Dima Holdings
Chongzhou Zhongye Ruixing Real Estate Development Co., Ltd.*	Joint venture of Dima Holdings
Nanjing Junyuan Real Estate Development Co., Ltd.*	Joint venture of Dima Holdings
Sichuan Shuangma Mianyang New Material Co., Ltd.*	Joint venture of Dima Holdings
Mianyang Ruisheng	Joint venture of the Group ^{(note (i))}
Chongqing Xuyuan Tiancheng Property Management Co., Ltd.*	Joint venture of the Group
Chongqing Baoxu Commercial Management Co., Ltd.*	Other related party ^{(note (ii))}
Chongqing Dongjin Commercial Management Co., Ltd.*	Other related party ^{(note (ii))}
Jiangsu Jiangdong Diesel Engine Manufacturing Co., Ltd.*	Other related party ^{(note (ii))}
Jiangsu Jiangdong Group Import & Export Co., Ltd.*	Other related party ^{(note (ii))}
Jiangsu Jianghuai Power Co., Ltd.*	Other related party ^{(note (ii))}
Jiangsu Nonghua Wisdom Agricultural Technology Co., Ltd.*	Other related party ^{(note (ii))}

Note:

- (i) Mianyang Ruisheng was originally a joint venture of the Group and became the subsidiary of the Group in April 2022 (Note 14).
- (ii) These companies are ultimately controlled by Chongqing Dongyin Holding Group Co., Ltd. which is a substantial shareholder of Dima Holdings.

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY DISCLOSURES (Continued)

(b) Significant transactions with related parties

(i) Related party transaction that continues after the listing of the Company:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Service provided by the Group		
- Dima Group	104,874	142,469
- Joint ventures and associates of Dima Holdings	10,128	21,671
- Joint ventures of the Group	2,345	1,930
- Other related parties	2,253	2,073
	<u>119,600</u>	<u>168,143</u>
Service acquired by the Group		
- Dima Group	943	-
	<u>943</u>	<u>-</u>

(ii) Related party transactions that did not continue after the listing of the Company

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Advances to Dima Group	-	155,010
Advances from Dima Group	-	45,224
Repayments of advances to Dima Group	-	160,010
Repayments of advances from Dima Group	-	40,933
	<u>-</u>	<u>40,933</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY DISCLOSURES (Continued)

(c) Balances with related parties – trade

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Trade receivables (Note 16)		
– Dima Group	153,046	177,577
– Joint ventures and associates of Dima Holdings	38,531	35,279
– Joint ventures of the Group	2,893	2,213
– Other related parties	229	278
	194,699	215,347
Bills receivables (Note 16)		
– Dima Group	547	–
Contract assets		
– Dima Group	4,239	1,301
Other receivables		
– Dima Group	302	323
– Joint ventures and associates of Dima Holdings	110	112
– Joint ventures of the Group	728	288
– Other related parties	–	95
	1,140	818
Trade payables (Note 19)		
– Dima Group	5,289	2,759
– Joint ventures and associates of Dima Holdings	–	125
	5,289	2,884
Other payables		
– Dima Group	8,977	7,491
– Joint ventures and associates of Dima Holdings	70	70
– Joint ventures of the Group	274	–
	9,321	7,561
Contract liabilities		
– Dima Group	2,615	2,879
– Joint ventures and associates of Dima Holdings	1,134	693
	3,749	3,572

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY DISCLOSURES (Continued)

(d) Balances with related parties – non-trade

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Other receivables		
– Dima Group	–	1
	<u>–</u>	<u>1</u>
Other payables		
– Dima Group	–	363
	<u>–</u>	<u>363</u>
Dividends receivables		
– Joint venture of the Group (note (i))	1,580	2,580
	<u>1,580</u>	<u>2,580</u>
Dividends payables		
– Dima Group	–	20,416
– Shareholder of the Company (note (ii))	–	9,659
	<u>–</u>	<u>30,075</u>
	<u>–</u>	<u>30,075</u>

Note:

- (i) The dividends receivables of the Company represented the unpaid dividend distributed from the joint venture of the Group.
- (ii) The dividends payables represented the unpaid dividend distributed to Tianjin Shengyihe Partnership*, owned by certain employees of the Group, among which, total amount of RMB3,992,000 were distributed to one director and one senior executive of the Group as at 31 December 2021.

* For identification purposes only