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DOWELL SERVICE GROUP CO. LIMITED*

東原仁知城市運營服務集團股份有限公司

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

(Stock Code: 2352)

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

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 20 November 2024 (after trading hours), Chongqing Dowell (as purchaser), Chengdu Dowell (as vendor) and the Target Company entered into the Equity Transfer Agreement, pursuant to which Chongqing Dowell has conditionally agreed to acquire, and Chengdu Dowell has conditionally agreed to sell, the entire equity interests in the Target Company at the Consideration of RMB59.5 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chengdu Dowell is wholly-owned by Dima, which is one of the Company's controlling shareholders. Therefore, Chengdu Dowell is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Furthermore, as the Two Equity Transfer Agreements were entered into by Dima Group, the Two Equity Transfers contemplated under the Two Equity Transfer Agreements were required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Two Equity Transfer Agreements, in aggregate, exceed 5% but is less than 25%, the transactions contemplated under the Two Equity Transfer Agreements constitute (i) discloseable transactions for the Company that are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) connected transactions for the Company that are subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. However, since the Previous Equity Transfer Agreement has complied with the reporting, announcement, circular and the Independent Shareholders' approval requirements, only the Equity Transfer Agreement is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

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

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

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

A circular containing, among other things, (i) a letter from the Board setting out further details of the Equity Transfer Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the advice from the Independent Financial Adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders as required as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched to the Shareholders as required and will be published on the Company's website at www.dowellservice.com and the Stock Exchange's website at www.hkexnews.hk on or before 11 December 2024.

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 20 November 2024 (after trading hours), Chongqing Dowell (as purchaser), Chengdu Dowell (as vendor) and the Target Company entered into the Equity Transfer Agreement, pursuant to which Chongqing Dowell has conditionally agreed to acquire, and Chengdu Dowell has conditionally agreed to sell, of the entire equity interests in the Target Company at the Consideration of RMB59.5 million.

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

Date: 20 November 2024 (after trading hours)

Parties

1. Chongqing Dowell, as purchaser;
2. Chengdu Dowell, as vendor; and
3. the Target Company, as target company.

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

Subject matter

Pursuant to the Equity Transfer Agreement, Chongqing Dowell (as purchaser) has conditionally agreed to acquire, and Chengdu Dowell (as vendor) has conditionally agreed to sell, the entire equity interests in the Target Company. As at the date of this announcement and immediately prior to completion of the Equity Transfer, the Target Company is wholly-owned by Chengdu Dowell, a wholly-owned subsidiary of Dima.

The Target Company was established by Chengdu Dowell. Accordingly, there was no original acquisition cost of all equity interests in the Target Company.

Consideration

The Consideration for the transaction contemplated under the Equity Transfer Agreement is RMB59.5 million, and shall be payable in three tranches in the following manner.

- (1) 10% of the Consideration, i.e. RMB5.95 million, shall be payable within five business days from the date of the Equity Transfer Agreement as a deposit and partial payment (the “**Deposit**”);
- (2) 40% of the Consideration, i.e. RMB23.8 million, shall be payable within five business days of:
 - (a) the fulfilment and/or waiver (if applicable) of all of the conditions precedent as set out in the paragraph headed “The Equity Transfer Agreement – Conditions precedent” below; and
 - (b) completion of the relevant industrial and commercial registration modification formalities (工商變更登記手續) (and the Target Company obtaining a new business license renewed by the industrial and commercial registration authority (工商登記機關));

- (3) the remaining balance of the Consideration, i.e. RMB29.75 million, shall be payable within five business days after completion of the transaction contemplated under the Equity Transfer Agreement.

If any of the conditions precedent as set out in the paragraph headed “The Equity Transfer Agreement – Conditions precedent” below is not fulfilled (or waived (if applicable)) on or before the Long Stop Date, the Deposit shall be refunded in full to Chongqing Dowell within five business days after the Long Stop Date.

Basis of the Consideration

The Consideration of RMB59.5 million was determined after arm’s length negotiations between the parties to the Equity Transfer Agreement on normal commercial terms, taking into consideration of, among other things, (i) the net asset value of the Target Company; (ii) the preliminary valuation prepared by an independent valuer on the Property as at 18 November 2024, indicating the appraised value of the Property being RMB71.6 million, based on market approach; and (iii) other reasons for and benefits of the Equity Transfer Agreement as set out in the section headed “REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER” below.

Conditions precedent

The Equity Transfer Agreement is conditional upon:

- (a) Chongqing Dowell and the Company obtaining the necessary consents or approvals for the entering into of the Equity Transfer Agreement and the transaction contemplated thereunder, including but not limited to the approval by the Stock Exchange, the approval of the Securities and Futures Commission, any relevant governmental or regulatory authority and requirements under the laws of the PRC, or obtaining the applicable waivers from the Stock Exchange or the Securities and Futures Commission;
- (b) the Company obtaining the approval from the Independent Shareholders of the Equity Transfer Agreement and the transaction contemplated thereunder at the EGM;
- (c) the parties to the Equity Transfer Agreement and the Company completing all relevant internal approval procedures;
- (d) Chengdu Dowell and the Target Company not breaching any terms under the Equity Transfer Agreement; and
- (e) there being no material adverse change in respect of information regarding the Target Company as disclosed by Chengdu Dowell in the Equity Transfer Agreement.

Either Chongqing Dowell or Chengdu Dowell has the right to notify the other party in writing at any time to waive compliance with the abovementioned conditions precedent (c), (d) and/or (e). If the conditions precedent have not been fulfilled (or waived (if applicable)) on or before the Long Stop Date, the Equity Transfer Agreement shall cease to have effect, and no party shall have any claim against the other party except for any antecedent breach of the Equity Transfer Agreement.

Completion

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

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

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

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

Immediately upon completion of the Equity Transfer, the Target Company shall be an indirect wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE GROUP AND CHONGQING DOWELL

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

Chongqing Dowell is a company established in the PRC with limited liability and is principally engaged in business management consulting.

INFORMATION ON DIMA GROUP AND CHENGDU DOWELL

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

As at the date of this announcement, Dima was owned by Chongqing Doyen and Chongqing Shuorun as to approximately 35.55% and 3.01% respectively. Chongqing Shuorun was owned by Chongqing Doyen and Ms. Chiu as to approximately 98.96% and 1.04% respectively, while Chongqing Doyen was owned by Mr. Lo and Ms. Chiu as to approximately 77.78% and 22.22% respectively. As at the date of this announcement, no other equity holder of Dima controls, directly or indirectly, 10% or more of the equity interests in Dima.

Chengdu Dowell is a company established in the PRC with limited liability and is principally engaged in development of residential and commercial properties.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in business management and real estate consulting. The Target Company holds approximately 83.48% of ownership of the Property. As at the date of this announcement, the Property has a gross area of approximately 8,474.10 square metres, and was used as an elderly care centre.

Given the Target Company was established in September 2024, the financial information of the Target Company for previous financial years are not available.

The net asset value of the Target Company as at 18 November 2024 was approximately RMB59.5 million.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

The Target Company holds approximately 83.48% of ownership of the Property. The Property is currently leased to a subsidiary of the Company for the purposes of operating an elderly care centre. The Group considered that it will be in its best interest to continue to use the Property going forward, as (i) there would be additional expenses for the re-location of the elderly care centre premises, due to specific renovation and equipment required in operating such elderly care centre; and (ii) the re-location would be time consuming and may impact the Group's operation of elderly care centre as the elderly persons residing in such care centres would need to be transported to the re-located elderly care centre. Further, if Chengdu Dowell disposes of the Property to an independent third party, additional costs may be incurred by the Group if such new landlord increases the rent or the Group may even be required to find another premises for the purpose of operating the elderly care centre in the future if such new landlord elects to lease the Property to others. As such, in order to have stability in the use of the Property for the long term, it would be in the interest of the Company to purchase the Target Company, which holds the Property, at fair market value. Further, as the Property is located in a prime area in Chengdu, and is considered to be a high quality asset with long-term investment value, the Directors also consider that the potential capital appreciation in the Property would allow the Group to have investment returns in future.

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

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chengdu Dowell is wholly-owned by Dima, which is one of the Company's controlling shareholders. Therefore, Chengdu Dowell is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Furthermore, as the Two Equity Transfer Agreements were entered into by Dima Group, the Two Equity Transfers contemplated under the Two Equity Transfer Agreements were required to be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Two Equity Transfer Agreements, in aggregate, exceed 5% but is less than 25%, the transactions contemplated under the Two Equity Transfer Agreements constitute (i) discloseable transactions for the Company that are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) connected transactions for the Company that are subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. However, since the Previous Equity Transfer Agreement has complied with the reporting, announcement, circular and the Independent Shareholders' approval requirements, only the Equity Transfer Agreement is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

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

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

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

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

A circular containing, among other things, (i) a letter from the Board setting out further details of the Equity Transfer Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the advice from the Independent Financial Adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders as required as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched to the Shareholders as required and will be published on the Company's website at www.dowellservice.com and the Stock Exchange's website at www.hkexnews.hk on or before 11 December 2024.

DEFINITIONS

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

“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chengdu Dowell”	Chengdu Dowell Haina Zhiye Co., Ltd.* (成都東原海納置業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Dima
“Chongqing Doyen”	Chongqing Doyen Holdings Group Co., Ltd.* (重慶東銀控股集團有限公司), a limited liability company established in the PRC and a connected person of the Company
“Chongqing Dowell”	Chongqing Dowell Enterprise Management Consultation Co., Ltd.* (重慶東原仁知企業管理諮詢有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Chongqing Shuorun”	Chongqing Shuorun Petrochemical Company Limited* (重慶碩潤石化有限責任公司), a limited liability company established in the PRC and a connected person of the Company
“Company”	東原仁知城市運營服務集團股份有限公司(DOWELL SERVICE GROUP CO. LIMITED*), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	consideration for the transaction contemplated under the Equity Transfer Agreement
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dima”	Dima Holdings Co., Ltd.* (重慶市迪馬實業股份有限公司), a limited liability company established in the PRC on 9 October 1997, one of the controlling shareholders of the Company and a connected person of the Company for the purpose of the Listing Rules

“Dima Group”	Dima and companies formed by Dima and/or its subsidiary(ies) with other Independent Third Parties which Dima held a controlling interests
“EGM”	the extraordinary general meeting to be convened and held by the Company for the purpose of, among others, considering and, if thought fit, approving the Equity Transfer Agreement and the transaction contemplated thereunder
“Equity Transfer”	the transfer of all equity interests in the Target Company from Chengdu Dowell (as vendor) to Chongqing Dowell (as purchaser)
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 20 November 2024 and entered into among Chengdu Dowell (as vendor), Chongqing Dowell (as purchaser) and the Target Company in relation to the Equity Transfer
“Group”	collectively, the Company and its subsidiaries
“H Share(s)”	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transaction contemplated thereunder
“Independent Financial Adviser”	Pelican Financial Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of, among other matters, the Equity Transfer Agreement and the transaction contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the resolutions in respect of, among other matters, the Equity Transfer Agreement and the transaction contemplated thereunder
“Independent Third Party(ies)”	a person, persons, company or companies which is or are independent of, and not connected with (within the meaning under the Listing Rules), any directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associate(s)

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2025 (or such later date as the parties agree in writing)
“Mr. Lo”	Mr. Lo Siu Yu, who owned approximately 77.78% of the equity interest in Chongqing Doyen as at the date of this announcement and a connected person of the Company
“Ms. Chiu”	Ms. Chiu Kit Hung, the spouse of Mr. Lo
“PRC”	the People’s Republic of China, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Equity Transfer”	the equity transfer of approximately 90.73% of Shanghai Evergreen from Shanghai Dixuan Industrial Co., Ltd.* (上海迪眩實業有限公司), a wholly-owned subsidiary of Dima, to the Company
“Previous Equity Transfer Agreement”	the conditional equity transfer agreement dated 19 April 2024 (as supplemented by a supplemental agreement dated 29 April 2024) and entered into among Shanghai Dixuan Industrial Co., Ltd.* (上海迪眩實業有限公司) (as vendor), the Company (as purchaser) and Shanghai Evergreen (as target company) in relation to the in relation to the Previous Equity Transfer. For details, please refer to the announcements of the Company dated 19 April 2024 and 29 April 2024
“Property”	3rd to 11th Floor, Building 1, No. 4 of Xinhong North Branch Road, Chenghua District, Chengdu City, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Evergreen”	Shanghai Evergreen Social Care Enterprise Development Co., Ltd.* (上海常青社康養企業發展有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Shareholder(s)”	holder(s) of H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Chengdu Dongyuhong Commercial Management Co., Ltd.* (成都東煜宏商業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Chengdu Dowell as at the date of this announcement
“Two Equity Transfer Agreements”	collectively, (i) the Previous Equity Transfer Agreement; and (ii) the Equity Transfer Agreement
“Two Equity Transfers”	collectively, (i) the Previous Equity Transfer; and (ii) the Equity Transfer
“%”	per cent.

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

The PRC, 20 November 2024

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

* *For identification purpose only*