东原仁知
DOWELL SERVICE

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 limited company incorporated in the People's Republic of China with limited liability)

Stock code: 2352

ANNUAL REPORT
2022

* For identification purposes only

为安心的每一刻
WE SERVE WITH WELLNESS
中国物业服务18强企业

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CORPORATE INFORMATION

NON-EXECUTIVE DIRECTORS

Ms. Luo Shaoying (羅韶穎) *(Chairlady, appointed with effect from 31 October 2022)*
Ms. Yi Lin (易琳)
Mr. Chen Han (陳涵) *(resigned with effect from 31 October 2022)*

EXECUTIVE DIRECTORS

Mr. Zhang Aiming (張愛明) *(Vice-chairman, appointed with effect from 31 October 2022)*
Mr. Fan Dong (范東)
Mr. Heng Qingda (衡清達) *(resigned with effect from 31 October 2022)*

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. Luo Shaoying (羅韶穎) *(appointed with effect from 31 October 2022)*
Mr. Wang Susheng (王蘇生)
Ms. Yi Lin (易琳) *(ceased to be a member with effect from 31 October 2022)*

REMUNERATION COMMITTEE

Mr. Wang Susheng (王蘇生) *(chairman)*
Ms. Yi Lin (易琳) *(appointed as a member with effect from 31 October 2022)*
Ms. Cai Ying (蔡穎)
Mr. Chen Han (陳涵) *(ceased to be a member with effect from 31 October 2022)*

NOMINATION COMMITTEE

Ms. Luo Shaoying (羅韶穎) *(chairlady, appointed with effect from 31 October 2022)*
Ms. Cai Ying (蔡穎)
Mr. Song Deliang (宋德亮)
Ms. Yi Lin (易琳) *(ceased to be the chairlady and a member with effect from 31 October 2022)*

AUTHORISED REPRESENTATIVES

Mr. Zhang Aiming (張愛明) *(appointed with effect from 31 October 2022)*
Mr. Wong Wai Chiu (黃偉超)
Mr. Heng Qingda (衡清達) *(resigned with effect from 31 October 2022)*

JOINT COMPANY SECRETARIES

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

REGISTERED OFFICE AND HEADQUARTERS

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Hong Kong

COMPLIANCE ADVISER

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Hong Kong

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Hong Kong

As to PRC laws:
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Chongqing 400024
The PRC

CORPORATE INFORMATION

AUDITORS

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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 achieved the following results for the year ended 31 December 2022 (i.e. the Reporting Period):

1. The Group's revenue was approximately RMB1,342.5 million, representing an increase of approximately 12.5% as compared with approximately RMB1,193.4 million for the year ended 31 December 2021.

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

   (a) revenue from property management services was RMB839.8 million, accounting for 62.6% of total revenue, representing an increase of approximately 33.5% as compared with RMB629.0 million for the year ended 31 December 2021;

   (b) revenue from community value-added services was RMB275.0 million, accounting for 20.4% of total revenue, representing a decrease of approximately 4.1% as compared with RMB286.9 million for the year ended 31 December 2021; and

   (c) revenue from value-added services to non-property owners was RMB227.7 million, accounting for 17.0% of total revenue, representing a decrease of approximately 18.0% as compared with RMB277.5 million for the year ended 31 December 2021.

3. Gross profit was approximately RMB275.6 million, representing a decrease of approximately 10.8% as compared with approximately RMB308.9 million for the year ended 31 December 2021. Gross profit margin was approximately 20.5%, representing a decrease of approximately 5.4 percentage points from approximately 25.9% for the year ended 31 December 2021.

4. Profit for the Reporting Period was approximately RMB94.2 million, representing a decrease of approximately 27.8% as compared with profit of approximately RMB130.4 million for the year ended 31 December 2021. Profit for the Reporting Period attributable to shareholders of the Company was approximately RMB90.7 million, representing a decrease of approximately 29.5% as compared with profit attributable to shareholders of approximately RMB128.7 million for the year ended 31 December 2021.

5. As at 31 December 2022, the Group had 541 contracted property management projects and contracted GFA of approximately 65.7 million sq.m., representing an increase of approximately 53.1% as compared with contracted GFA of approximately 42.9 million sq.m. as at 31 December 2021. Such projects included 482 projects under management and GFA under management of approximately 50.6 million sq.m., representing an increase of approximately 79.4% as compared with GFA under management of approximately 28.2 million sq.m. as at 31 December 2021.

6. The Board recommended the declaration of a final dividend of RMB0.14 per share (tax inclusive) for the year ended 31 December 2022 (2021: RMB0.80 per share).

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary and review for 2022

In 2022, the property management industry experienced multiple pressures and challenges under the adverse impact of the resurgence and stumbling of the COVID-19 pandemic, the downward spiral of the real estate industry and the continuing macroeconomic pressure. The Group proactively responded to the complex and challenging external environment by building sustainable development capabilities with a market-oriented approach to reduce the impact brought by the real estate industry. As at 31 December 2022, the Group operated and managed property projects in 60 cities, with 482 projects under management, representing a year-on-year growth of approximately 48.3%. The GFA under management increased by approximately 79.4% as compared to the corresponding period in 2021 to approximately 50.6 sq.m., and the contracted GFA increased by approximately 53.1% as compared to the corresponding period in 2021 to approximately 65.7 million sq.m.

The Group was named as one of the "2022 Top 100 Property Management Companies" by China Index Academy in April 2022, and its industry rankings in terms of overall strength improved by two places to the 18th place as compared with 2021. The Group upholds the service concept of "For Every Moment of Peace of Mind", with a vision to grow into a respected urban renewal service provider with unique business value. The Group adopts the brand development strategy of "Big Property • Full Value" and always upholds the values of "simplicity and trustworthiness, customer orientation, pursuit for excellence, and mutual achievement". With focus on addressing the life-cycle needs of people and cities, it continuously upgrades service quality to satisfy customers and provides detailed, thorough, considerate and efficient property management services and value-added services for diversified customers.

Business model

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

(i) property management services, including security services, cleaning services, landscaping services, facility management, repair and maintenance services, for:

- residential properties to property developers, property owners and residents; and
- non-residential properties, such as commercial properties, hospitals, governmental buildings and schools, to property owners or enterprises that operate in such premises;

(ii) community value-added services, mainly including:

- car parking spaces management services;
- car parking spaces and property sales services;
- public resources management services;

- property agency services;
- community events planning services;
- utility maintenance services; and
- renovation waste treatment services.

(iii) value-added services to non-property owners, mainly property developers, including, among others:

- sales assistance services;
- maintenance and renovation services;
- pre-delivery consultancy and inspection services; and
- additional tailored services.

The Group believes that its property management service business line serves as the basis for the Group to generate revenue, expand its business scale as well as increase its customer base for its community value-added services and value-added services to non-property owners. The Group's value-added services to non-property owners allow the Group to gain early access to property projects 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.

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 RMB839.8 million, representing an increase of approximately 33.5%, as compared to the corresponding period of 2021, which is mainly due to (i) the expansion of GFA under management by approximately 79.4% as compared with the same of last year; and (ii) the Acquisitions (as defined below).

Continuous growth in business scale and expansion in property portfolio

The Group adheres to solidify its market position and expand its property portfolio and business scale through multiple channels, such as organic growth and strategic acquisitions and investment. During the Reporting Period, leveraging the close relationship with Dima Group, one of the Company's controlling shareholders, the GFA under management of projects sourced from Dima Group reached approximately 15.4 million sq.m., representing an increase by approximately 24.2% as compared to the same as at 31 December 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 32.0 million sq.m., representing an increase by approximately 126.6% as compared to the same as at 31 December 2021.

By source of property projects:

The table below sets out the Group's total revenue from property management services during the two years ended 31 December 2022, and GFA under management and number of projects based on the sources from which the Group obtained the relevant property projects as at 31 December 2021 and 2022.

	Year ended 31 December 2022		**As at 31 December 2022**		Year ended 31 December 2021		As at 31 December 2021	
	Revenue *(RMB'000)*	**(%)**	**Number of projects**	**GFA under management[2]** *('000 sq.m.)*	Revenue *(RMB'000)*	(%)	Number of projects	GFA under management[2] *('000 sq.m.)*
Property projects sourced from Dima Group[1]	**371,230**	**44.2**	**90**	**15,371**	325,847	51.8	73	12,372
Property projects sourced from Affiliated Companies[1]	**41,425**	**4.9**	**17**	**3,243**	35,536	5.6	10	1,719
Property projects sourced from Independent Third Parties[1]	**427,127**	**50.9**	**375**	**31,959**	267,645	42.6	242	14,104
Total	**839,782**	**100.0**	**482**	**50,573**	629,028	100.0	325	28,195

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. This includes GFA where the property management services were provided by joint ventures and/or associate companies of the Group. As at 31 December 2022, the total GFA under management of property projects managed by joint ventures and/or associate companies of the Group were approximately 2.0 million sq.m..

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

As at 31 December 2022, the Group's GFA under management of residential properties was approximately 32.0 million sq.m, accounting for approximately 63.2% of the Group's GFA under management. The share of residential properties in the Group's GFA under management decreased by approximately 9.5% as compared to the same period in 2021.

As at 31 December 2022, the Group's GFA under management of non-residential properties was approximately 18.6 million sq.m, accounting for approximately 36.8% of the Group's GFA under management. The share of non-residential properties in the Group's GFA under management grew by approximately 9.5% as compared to the same period in 2021.

The table below sets forth the Group's total revenue from property management services during the two years ended 31 December 2022, and GFA under management and number of projects as at 31 December 2021 and 2022:

	Year ended 31 December 2022		**As at 31 December 2022**		Year ended 31 December 2021		As at 31 December 2021	
	Revenue	**%**	**Number of projects**	**GFA under management**	Revenue	%	Number of projects	GFA under management
	(RMB'000)			***('000 sq.m.)***	*(RMB'000)*			*('000 sq.m.)*
Residential properties	**505,139**	**60.2**	**193**	**31,985**	366,442	58.3	133	20,512
Non-residential properties	**334,643**	**39.8**	**289**	**18,588**	262,586	41.7	192	7,683
Total	**839,782**	**100.0**	**482**	**50,573**	629,028	100.0	325	28,195

Continuous expansion in geographic presence

By geographic presence:

As at 31 December 2022, the Group operated across China and managed 482 property projects with an aggregated GFA under management of approximately 50.6 million sq.m. in 60 cities in China and were contracted to manage 541 property projects with an aggregated GFA of approximately 65.7 million sq.m. in 69 cities.

The table below sets out the Group's total revenue from property management services during the two years ended 31 December 2022, and GFA under management and number of projects as at 31 December 2021 and 2022:

	Year ended 31 December 2022	As at 31 December 2022		Year ended 31 December 2021	As at 31 December 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	**195,278**	**70**	**8,740**	188,228	68	7,213
Sichuan Province	**134,300**	**54**	**7,521**	97,989	39	6,308
Hubei Province	**112,292**	**31**	**7,447**	84,368	23	4,023
Shanghai	**92,059**	**59**	**2,550**	75,124	44	2,274
Zhejiang Province	**76,844**	**53**	**5,634**	23,504	19	3,007
Jiangsu Province	**56,598**	**48**	**3,322**	47,404	36	2,432
Beijing	**56,401**	**39**	**1,020**	50,644	33	302
Others	**116,010**	**128**	**14,339**	61,767	63	2,636
Total	**839,782**	**482**	**50,573**	629,028	325	28,195

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 4.1% to approximately RMB275.0 million as compared to about RMB286.9 million in the same period last year, mainly due to (i) the frequent occurrence and spread of the COVID-19 pandemic in the PRC during the Reporting Period, resulting in the implementation of COVID-19 pandemic control measures in some cities in the PRC, which restricted the movement of people in the PRC, thus adversely impacting the Group's provision of community value-added services; and (ii) the decrease in revenue of the Group's car parking spaces sales services and property agency services due to the downturn in the PRC real estate industry during the Reporting Period. During the Reporting Period, revenue derived from community value-added services accounted for approximately 20.4% of total revenue, representing a decrease of about 3.6% as compared with the same period of 2021.

Value-added services to non-property owners

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

During the Reporting Period, revenue derived from value-added services to non-property owners decreased by approximately 17.9% to approximately RMB227.7 million as compared to about RMB277.5 million in the same period last year, mainly due to (i) the episodic re-occurrence and outbreak of the COVID-19 pandemic in the PRC, resulting in the implementation of COVID-19 pandemic control measures in some cities in the PRC, which restricted the movement of people in the PRC, thus (a) restricting the commencement of some of the Group's sales assistance services projects; and (b) delayed the progress of the Group's maintenance and renovation services, leading to the corresponding decrease in revenue; and (ii) the reduction in the number of projects in respect of the Group's sales assistance services and pre-delivery consultancy services resulting in a corresponding decrease in revenue. During the Reporting Period, revenue derived from value-added services to non-property owners accounted for approximately 17.0% of total revenue, representing a decrease of about 6.3% as compared with the same period of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB149.0 million or approximately 12.5% to approximately RMB1,342.5 million from approximately RMB1,193.4 million for the year ended 31 December 2021. The increase in revenue for the Reporting Period was mainly attributable to the Group's expansion in its property management segment.

The table below sets out a breakdown of the Group's total revenue by business lines during the two years ended 31 December 2022:

	Year ended 31 December			
	2022		2021	
	Revenue	**Percentage**	Revenue	Percentage
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
Property management services	839,782	62.6	629,028	52.7
Community value-added services	274,952	20.4	286,851	24.0
Value-added services to non-property owners	227,725	17.0	277,544	23.3
Total	1,342,459	100.0	1,193,423	100.0

COST OF SALES AND SERVICES

During the Reporting Period, the Group's cost of sales and services increased by approximately RMB182.3 million or approximately 20.6% to approximately RMB1,066.8 million from approximately RMB884.5 million for the year ended 31 December 2021. The increase was mainly attributable to (i) the continuous expansion in the Group's property management projects and contracted GFA, resulting in an increase in the number of employees and corresponding employee benefit expenses; and (ii) the increase in the Group's subcontracting costs as a result of the increased outsourcing of labour intensive services, such as cleaning and security services.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

As a result of the aforementioned key factors, the Group's gross profit decreased by approximately 10.8% from approximately RMB308.9 million for the year ended 31 December 2021 to approximately RMB275.6 million for the year ended 31 December 2022.

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

	Year ended 31 December	
	2022	2021
Property management services	**20.8%**	23.1%
Community value-added services	**18.5%**	29.7%
Value-added services to non-property owners	**22.2%**	28.1%
Overall gross profit margin	**20.5%**	25.9%

During the Reporting Period, the Group's gross profit margin was approximately 20.5%, representing a decrease of approximately 5.4 percentage points from approximately 25.9% for the year ended 31 December 2021. The decrease was mainly attributable to the aforementioned impact from the frequent occurrence and spread of the COVID-19 pandemic in the PRC and the downturn in the PRC real estate industry, which adversely affected the Group's services with higher gross profit margin, including sales assistance services, and pre-delivery consultancy services.

The gross profit margin of property management services was approximately 20.8%, representing a decrease from approximately 23.1% for the year ended 31 December 2021. The decrease was mainly attributable to (i) the frequent occurrence and spread of the COVID-19 pandemic in the PRC, resulting in the increased cost in relation to the prevention of COVID-19; and (ii) higher upfront costs of newly acquired property management projects.

The gross profit margin of community value-added services was approximately 18.5%, representing a decrease from approximately 29.7% for the year ended 31 December 2021. The decrease was mainly attributable to the aforementioned impact from the frequent occurrence and spread of the COVID-19 pandemic in the PRC and the downturn in the PRC real estate industry, causing the property agency services and other services provided to property and non-property owners that have a higher gross margin to decline, resulting in the decrease in overall gross profit margin of community value-added services.

The gross profit margin of value-added services to non-property owners was approximately 22.2%, representing a decrease from approximately 28.1% for the year ended 31 December 2021. The decrease was mainly attributable to (i) the frequent occurrence and spread of the COVID-19 pandemic in the PRC, which restricted the movement of people in the PRC, thus (a) restricting the commencement of some of the Group's sales assistance services projects; and (b) delayed the progress of the Group's maintenance and renovation services, leading to the corresponding decrease in revenue and gross profit margin; and (ii) the reduction in sales assistance services, and pre-delivery consultancy services resulting in a corresponding decrease in revenue due to the downturn in the PRC real estate industry.

OTHER INCOME

During the Reporting Period, the Group's other income amounted to approximately RMB18.8 million, representing an increase of approximately 95.8% from approximately RMB9.6 million for the year ended 31 December 2021. The increase was primarily due to the receipt of a listing incentive subsidy, which was granted by the Chongqing local government during the Reporting Period.

OTHER NET GAINS AND LOSSES

During the Reporting Period, the Group recorded other net gains of approximately RMB9.3 million, as compared to other net losses of approximately RMB0.3 million for the year ended 31 December 2021. The other net gains of the Group during the Reporting Period arose mainly from foreign exchange rate gains derived from HK dollars held by the Group and gain on re-measurement of previously held equity interest.

SELLING AND MARKETING EXPENSES

The Group's selling and marketing expenses primarily consist of promotion expenses and employee benefit expenses. During the Reporting Period, the Group's selling and marketing expenses increased to approximately RMB30.9 million, as compared to approximately RMB27.8 million for the year ended 31 December 2021. Such increase was due to (i) the Group's increasing effort in sourcing property projects from Independent Third Parties; and (ii) an increase in relevant marketing staff costs and business development expenses.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB145.3 million, representing an increase of approximately 4.3% from approximately RMB139.3 million for the year ended 31 December 2021. The increase was mainly because of (i) an increase in the Group's intangible assets and corresponding depreciation costs; and (ii) intermediary service fees paid after the successful listing of the H Shares on the Stock Exchange in April 2022.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The Group's net impairment losses on financial assets primarily included the impairment provisions for losses arising from potential bad debts and bad debts written off in respect of trade, bills and other receivables. During the Reporting Period, the Group's net impairment losses on financial assets amounted to approximately RMB24.1 million, as compared to approximately RMB3.5 million for the year ended 31 December 2021, which was mainly due to the (i) increased trade receivables as a result of the increase in operation scale; and (ii) increase in the Group's impairment allowance on receivables as at 31 December 2022 due to the overall downturn in the real estate industry and the impact of the COVID-19 pandemic.

FINANCE INCOME/COST

During the Reporting Period, the Group's finance cost amounted to approximately RMB0.5 million, representing a decrease of approximately 50.0% from approximately RMB1.0 million for the year ended 31 December 2021. The decrease was mainly due to the decrease in interest expenses on lease liabilities and the repayment of bank borrowings during the Reporting Period. During the Reporting Period, the Group's finance income remained stable at approximately RMB0.3 million as compared with the same for the year ended 31 December 2021. As at 31 December 2022, the Group had no bank or other borrowings (31 December 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT BEFORE TAX

Profit before tax of the Group decreased to approximately RMB110.1 million for the Reporting Period by approximately 28.5% from approximately RMB154.0 million for the year ended 31 December 2021. The decrease was mainly due to (i) the aforementioned impact from the frequent occurrence and spread of the COVID-19 pandemic in the PRC and the downturn in the PRC real estate industry which hindered the revenue and gross profit of the community value added services and value-added services to non-property owners segments; and (ii) the aforementioned increase in impairment losses on financial assets.

INCOME TAX EXPENSE

During the Reporting Period, the Group's income tax expense decreased to approximately RMB15.9 million by approximately 32.6% from approximately RMB23.6 million for the year ended 31 December 2021, which was mainly due to the decrease in the Group's profit before tax, causing a corresponding decrease in the Group's income tax expense in the PRC.

INTANGIBLE ASSETS

The Group's intangible assets mainly comprised customer relationship and goodwill generated from a number of companies acquired by the Group during the Reporting Period. As at 31 December 2022, the Group's intangible assets were approximately RMB278.1 million, representing an increase of approximately 143.5% as compared to approximately RMB114.2 million as at 31 December 2021, primarily due to the goodwill and customer relationships generated from business combinations during the Reporting Period.

TRADE, BILLS AND OTHER RECEIVABLES

As at 31 December 2022, the Group's trade and bills receivables (less provision for impairment of trade receivables) amounted to approximately RMB565.3 million, representing an increase of approximately 43.9% as compared to approximately RMB392.9 million as at 31 December 2021. In particular, trade and bills receivables amounted to RMB599.3 million, representing an increase of approximately 48.5% as compared to approximately RMB403.6 million as at 31 December 2021, primarily due to (i) the increase in the Group's operation scale and the increase in the number of property projects managed by the Group; (ii) the trade receivables balance consolidated to the Group after the Acquisitions (as defined below); and (iii) the sluggish repayment rate by the customers due to the adverse effect of the COVID-19 pandemic and the downturn in the PRC property industry. As at 31 December 2022, other receivables (less provision for impairment of other receivables) amounted to approximately RMB34.4 million, representing an increase of approximately 37.6% as compared to approximately RMB25.0 million as at 31 December 2021. Such increase was primarily due to the expansion of the operation scale of the Group, resulting in the increase in deposits receivable by the Group.

CONTRACT ASSETS

The Group's contract assets mainly represents the Group's right to consideration for work performed but unbilled for provision of maintenance and renovation services. As at 31 December 2022, the Group's contract assets amounted to approximately RMB2.4 million, representing an increase of approximately 86.9% from RMB1.3 million as at 31 December 2021, which was mainly due to the increase in unbilled payments from the Group's provision of maintenance and renovation services to its customers.

TRADE PAYABLES

As at 31 December 2022, the Group's trade payables amounted to approximately RMB248.0 million, representing a year-on-year increase of approximately 37.2% from approximately RMB180.8 million as at 31 December 2021, mainly due to the (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.

CONTRACT LIABILITIES

The Group's contract liabilities mainly represents the advance payments made by customers while the underlying services, primarily property management fees, have yet to be provided and thus the relevant revenue has not been recognised. As at 31 December 2022, the Group's contract liabilities amounted to approximately RMB228.4 million, representing an increase of approximately 17.3% from RMB194.6 million as at 31 December 2021, which was mainly due to (i) the expansion of the Group's business; and (ii) an increase in the number of customers who paid property management fees in advance.

LIQUIDITY AND CAPITAL RESOURCES

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

During the Reporting Period, the Group's principal use of the cash was working capital and deposits for acquisition of subsidiaries, which was mainly funded from cash flow generated from operations and proceeds raised from the Company's initial public offering and over-allotment option.

As at 31 December 2022, cash and cash equivalents of the Group was approximately RMB220.4 million, as compared with approximately RMB249.2 million as at 31 December 2021.

As at 31 December 2022, the Group's total equity amounted to approximately RMB485.9 million, representing an increase of 88.3% from RMB258.1 million as at 31 December 2021, which was mainly due to the funds raised from successful listing of the H Shares.

CAPITAL MANAGEMENT

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

At the end of the Reporting Period, the gearing ratio (defined as total debt divided by total equity) of the Group was decreased to approximately 1.7% from approximately 4.0% at 31 December of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGE RATE RISK

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had approximately 5,251 employees (31 December 2021: approximately 4,170 employees). During the Reporting Period, the total staff costs recognised as expenses were approximately RMB624.4 million (as at 31 December 2021: RMB492.6 million).

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

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

In determining the remuneration and compensation packages of the Directors, Supervisors and senior management, the Group will take into account, among other things, salaries paid by comparable companies, time commitment and their respective responsibilities and performance of the Group.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2022, the Group did not have any outstanding borrowings or pledge of assets.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

CAPITAL COMMITMENTS

As at 31 December 2022, the Company had no capital commitments.

OUTLOOK FOR 2023

In 2023, the Group will adhere to the corporate development strategy of "Big Property • Full Value" and render quality services to meet customer needs, committed to becoming 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 cooperations. 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.

(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.

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

The H Shares were successfully listed on the Stock Exchange on 29 April 2022 (the "**Listing Date**") with 16,666,667 new H Shares issued and, upon the partial exercise of over-allotment option, 16,990,867 H Shares were issued in aggregate. Net proceeds from initial public offering and partial exercise of over-allotment option (the "**Net Proceeds**") amounted to approximately HK$139.8 million in total, after deducting the underwriting fees and relevant expenses. As at 31 December 2022, the Group has used approximately HK$99.4 million of the Net Proceeds.

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

The table below sets out the details of actual usage of the Net Proceeds as at 31 December 2022:

		Net Proceeds (HK$ million)			
Item	**Percentage**	**Available Net Proceeds from listing of the H Shares on the Stock Exchange and partial exercise of the over-allotment option**	**Used From the Listing Date and up to 31 December 2022**	**Unused As at 31 December 2022**	**Remaining balance expected to be fully used by**
Strategic investments, cooperation and acquisition	65.0%	90.9	77.2	13.7	End of year 2023
Improve service quality and extend service offering	16.5%	23.0	1.3	21.7	End of year 2023
Upgrade and develop intelligent systems	8.5%	11.9	9.3	2.6	End of year 2023
General working capital	10.0%	14.0	11.6	2.4	N/A
Total	100.0%	139.8	99.4	40.4	

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 Property Management Co., Ltd.* (浙江中都物業管理有限公司) ("**Zhejiang Zhongdu**") at the consideration of approximately RMB79.5 million; and (ii) 80% equity interests in Hunan Jindian Property Management Co., Ltd.* (湖南金典物業管理有限公司) ("**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. As at the date of this announcement, the Acquisitions had been completed and Zhejiang Zhongdu had become an indirect wholly-owned subsidiary of the Company and Hunan Jindian had become 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, there are certain updates on the Group's capital structure. For further details, please refer to note 40 to the consolidated financial statements and the inside information announcement of the Company dated 22 February 2023.

FINAL DIVIDEND

In view of the business growth of the Group and the support of the shareholders of the Company, the Board recommended the declaration of a Final Dividend of RMB0.14 per share (tax inclusive) for the year ended 31 December 2022 (2021: RMB0.80 per share).

The dividend distribution plan shall be subject to the approval of the shareholders of the Company at the AGM to be held on Friday, 9 June 2023 (the "**AGM**") and such dividend is expected to be paid on or around Tuesday, 8 August 2023. The Final Dividend payable to holders of (i) Domestic Shares shall be paid in RMB; (ii) H Shares shall be declared in RMB and paid in HK dollars; and (iii) Unlisted Foreign Shares shall be declared in RMB and paid in USD, the exchange rate of which will be calculated based on the average exchange rate of RMB against HK dollars or USD published by the People's Bank of China seven days prior to the AGM. Upon approval at the AGM, the Final Dividend will be paid by Tuesday, 8 August 2023.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of seven Directors, including two non-executive Directors, two executive Directors and three independent non-executive Directors.

Non-executive Directors

Ms. Luo Shaoying, aged 49, is a non-executive Director, the Chairlady of the Board, a member of the Audit Committee and the chairlady of the Nomination Committee. She was appointed as a non-executive Director in October 2022. Ms. Luo has also been appointed as a director of Dima, one of the Controlling Shareholders, in May 2016. In August 2018, Ms. Luo was redesignated as the chairlady of Dima. In May 2019, she was also appointed as the chief executive officer of Dima. She subsequently resigned as the chairlady of Dima in November 2022 but continued to serve as a director and chief executive officer of Dima. Between December 2012 and July 2022, Ms. Luo was a director of Doyen International Holdings Limited, a company whose issued shares are listed on the Stock Exchange (stock code: 668).

Ms. Luo obtained a bachelor's degree in business administration from the University of Georgia, the United States of America in March 1998. She was awarded the "Top 10 Philanthropic People" by the Chongqing Daily 2020 Annual Charity Awards and "China Philanthropic People" in the 2020 China Annual Conference on Philanthropy. She was also awarded the title of the "National March 8th Red-Banner Pacesetter" (全國三八紅旗手) by the All-China Women's Federation in 2022.

Ms. Luo is a sister of Mr. Lo, who is a substantial shareholder (as defined under the Listing Rules) of the Company; and a sister-in-law of Ms. Chiu, who is the spouse of Mr. Lo and a substantial shareholder (as defined under the Listing Rules) of the Company.

Ms. Yi Lin, aged 50, is a non-executive Director and a member of the Remuneration Committee. She was appointed as a non-executive Director in December 2020. She obtained a bachelor's degree in accounting from Chongqing University (重慶大學) in the PRC in June 1995. She further obtained a master's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in September 2002.

Ms. Yi has over 15 years of experience financial management and accounting. From August 2006 to December 2007, Ms. Yi served as the general manager of the finance department of Chongqing Doyen and was responsible for coordinating the daily operation of the finance department. Since January 2008, Ms. Yi has served as the chief finance officer of Dongyuan Real Estate. From April 2010 to March 2012, Ms. Yi served as the chief finance officer of Dima. From March 2012 to April 2013, Ms. Yi served as a vice general manager and the secretary of the board of directors of Dima. From April 2013 to May 2014, Ms. Yi served as the general manager of Dima. Since April 2013, Ms. Yi has been a director of Dima. Since May 2014, Ms. Yi has also served as the vice chief executive officer and the head of finance department of Dima.

Executive Directors

Mr. Zhang Aiming, aged 49, is an executive Director, the vice-chairman of the Board and the Co-CEO. He was appointed as an executive Director in October 2022. He obtained a master's degree in professional accountancy from The Chinese University of Hong Kong in December 2008. He also became a certified public accountant in June 2002, a certified internal auditor in November 2002.

Between March 2012 and May 2022, Mr. Zhang held various roles at Dima. He served as the chief financial officer of Dima between March 2012 to April 2013, the secretary of the board of directors of Dima between April 2013 and May 2019, and a vice chief executive officer of Dima between March 2021 and May 2022. Prior to joining Dima, Mr. Zhang also worked in various property developers and property management companies in the PRC.

Mr. Fan Dong, aged 53, is an executive Directors, the Co-CEO and the general manager of the Group. He joined the Group in August 2014 and was appointed as an executive Director in December 2020. He is currently a director of several subsidiaries of the Company. He obtained a bachelor's degree in law from Southwest University of Political Science and Law (西南政法大學) in the PRC in December 1997.

Mr. Fan has over 22 years of experience in property management industry. Prior to joining of the Group, he served at Chongqing Xinlonghu Property Management Co. Ltd.* (重慶新龍湖物業服務有限公司, currently known as 龍湖物業服務集團有限公司), a company principally engaged in the provision of property management services, from April 1999 to August 2014.

Independent non-executive Directors

Ms. Cai Ying, aged 48, is an independent non-executive Director, a member of each of the Remuneration Committee and the Nomination Committee. She was appointed as an independent non-executive Director in December 2020. She obtained a bachelor's degree in electrical technology from Guangdong University of Technology* (廣東工業大學) in the PRC in July 1997. She further obtained a master's degree in finance from Jinan University* (暨南大學) in the PRC in January 2002 and a master's degree in business administration from China Europe International Business School in the PRC in August 2016.

Ms. Cai has over 24 years of finance management and investment related experience. Ms. Cai previously worked in the agent service department, e-commerce department and the computer division of the Guangzhou branch of China Southern Securities Co., Ltd.* (南方證券有限公司), a company principally engaged in provision of financial services from July 1997 to May 2004. From May 2004 to July 2008, Ms. Cai served as a senior manager of the channel service department of China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司), a company principally engaged in fund management and provision of financial services. From August 2008 to July 2013, she served as the general manager and vice general manager of the Guangzhou branch of Penghua Fund Management Co. Ltd.* (鵬華基金管理有限公司), a company principally engaged in fund management and provision of financial services. Ms. Cai was responsible for the sales and marketing of fund products in southern part of the PRC. From August 2013 to September 2020, Ms. Cai served as a director and general manager of First Seafront Fund Management Co. Ltd.* (前海開源基金管理有限公司). From September 2013 to July 2014 and from July 2014 to September 2020, Ms. Cai served as an executive director and the chairman of the board and legal representative of First Seafront Asset Management Co. Ltd.* (前海開源資產管理有限公司) respectively. Since September 2020, Ms. Cai has served as the vice chairman of First Seafront Fund Management Co. Ltd.* (前海開源基金管理有限公司). Each of First Seafront Fund Management Co. Ltd.* (前海開源基金管理有限公司) and First Seafront Asset Management Co. Ltd.* (前海開源資產管理有限公司) is a company principally engaged in asset management and provision of financial services, the investment portfolios of which consisted of shares of certain property management companies listed on the Main Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Susheng, aged 54, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. He was appointed as an independent non-executive Director in December 2020. He obtained a bachelor's degree in geography from Changsha Water Conservancy and Electric Power Pedagogical University* (長沙水利電力師範大學, currently known as 長沙理工大學) in the PRC in July 1991. He further obtained a master's degree in economics from Renmin University of China (中國人民大學) in the PRC in July 1994. In July 2000, he obtained a doctor's degree in international law from Peking University (北京大學) in the PRC. He further obtained a post-doctoral degree in management science from Tsinghua University (清華大學) in the PRC in September 2002 and master's degree in business administration from the University of Chicago in the United States of America in March 2004. Mr. Wang was qualified as a non-practising registered accountant in the PRC in May 1997, a lawyer by the Ministry of Justice of the PRC in June 1997 and a chartered financial analyst by the CFA Institute in the U.S. in April 2005.

He was a professor in finance of Harbin Institute of Technology (Shenzhen) between July 2003 and April 2017. Since April 2017, he has been a professor in finance of Southern University of Science and Technology.

Since January 2016, Mr. Wang has been serving as an independent director of Wedge Industrial Co. Ltd.* (萬澤實業股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000534.SZ). Since December 2016, Mr. Wang has been serving as an independent director of Tianma Microelectronics Co. Ltd.* (天馬微電子股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000050.SZ). Since April 2017, Mr. Wang has been serving as an independent director of Shahe Industry Co., Ltd.* (沙河實業股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000014.SZ). Since October 2018, Mr. Wang has been serving as an independent director of Shenzhen Prolto Supply Chain Management Co. Ltd.* (深圳市普路通供應鏈管理股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002769.SZ).

From December 2013 to May 2020, Mr. Wang served as an independent non-executive director of Guangzhou Automobile Group Co., Ltd., a company whose issued shares are listed on the Stock Exchange (stock code: 2238). Since December 2021, Mr. Wang has been serving as an independent non-executive director of CALB Co., Ltd, a company whose issued shares are listed on the Stock Exchange (stock code: 3931).

Mr. Song Deliang (formerly known as 宋開波), aged 50, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. He was appointed as an independent non-executive Director in December 2020. He obtained a doctor's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in January 2003.

He joined Shanghai National Accounting Institute as a lecturer in August 2003 and was later promoted to vice professor in June 2012. In July 2018 and March 2019, Mr. Song offered training to the management staff of (i) a PRC company principally engaged in the provision of property management services for commercial properties, hotels and industrial parks in the PRC and is a subsidiary of a state-owned enterprise, the shares of which are listed on the Stock Exchange and Shanghai Stock Exchange; and (ii) a PRC company principally engaged in the provision of property management services in Southern China, Eastern China, Northern China, Western China, Hong Kong and Macau, the shares of which are listed on the Stock Exchange.

From April 2010 to July 2016, Mr. Song served as an independent director, a member of each of the nomination and audit committee of the board of directors of Anhui Hengyuan Coal Industry and Electricity Power Co., Ltd.* (安徽恆源煤電股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600971.SH). From August 2010 to April 2016, Mr. Song served as an independent director of State Grid Yingda Co., Ltd.* (國網英大股份有限公司, formerly known as 上海置信電氣股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600517.SH). Mr. Song also served as the chairman of the audit committee of such company between October 2010 and April 2016. From July 2015 to May 2019, Mr. Song served as an independent director, the chairman of each of the audit and remuneration committee of the board of directors of Dima. Since January 2017, Mr. Song has served as an independent director of Shanghai Tianchen Co., Ltd.* (上海天宸股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600620.SH). Since March 2017, Mr. Song also served as the chairman of the audit committee of Shanghai Tianchen Co., Ltd.*. Since September 2018, Mr. Song has served as an independent director and a member of the audit committee of the board of directors of Sunsea AIoT Technology Co., Ltd.* (日海智能科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002313.SZ).

SUPERVISORS

The Supervisory Board currently consists of three members.

Mr. Wang Jun, aged 36, was appointed as the chairman of the Supervisory Board. He was appointed as a Supervisor in December 2020. He obtained a bachelor's degree in mechanical engineering and automation from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2008. He further obtained a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 2015. Mr. Wang is a certified public accountant in the PRC.

Mr. Wang has over nine years of experience in financial management related fields. From September 2008 to August 2011, Mr. Wang served as a senior auditor at PricewaterhouseCoopers Zhongtian CPAs Limited Company. From August 2011 to August 2012, Mr. Wang served at China Industrial Securities Co., Ltd. (興業證券股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601377.SH) and is principally engaged in the provision of financial services. From June 2013 to July 2014, Mr. Wang worked at Hwabao Trust Co., Ltd. (華寶信託有限責任公司), a company principally engaged in trust management. From August 2014 to August 2017, Mr. Wang served as a deputy managing director of the investment banking division at Shenyin and Wanguo Innovation Asset Management Co., Ltd.* (申銀萬國創新證券投資有限公司), a company principally engaged in the provision of financial and investment services. From September 2017 to February 2018, Mr. Wang served as a fund director of the treasury division of Dongyuan Property Development Group Company Limited* (東原房地產開發集團有限公司), a subsidiary of Dima. From February 2018 to May 2019, Mr. Wang was transferred to the secretary of the board of directors office of Dima and served as a director of securities. Since May 2019, Mr. Wang has served as the secretary of the board of directors of Dima.

Mr. Mao Dun, aged 44, is a Supervisor. He was appointed as a Supervisor in December 2020. He obtained a bachelor's degree in taxation from Chongqing Business College (重慶商學院, currently known as 重慶工商大學) in the PRC in July 2001.

Since May 2014, Mr. Mao has served as the assistant audit general manager of Dongyuan Real Estate and has been responsible for coordinating audit related matters.

Ms. Tan Liang, aged 26, was elected as the employee representative Supervisor. She joined the Group in July 2016 and was appointed as a Supervisor in December 2020. Ms. Tan has over four years of experience in accounting field. Ms. Tan joined the Company in July 2016 as a fund settlement specialist and was responsible for fund settlement of the Group. She was later promoted to be a fund settlement supervisor in July 2019. She served as the assistant manager in fund settlement of the Group since July 2020. She completed a curriculum of accounting from Chongqing Technology and Business University (重慶工商大學) in the PRC in June 2017 by self-learning. Ms. Tan is a certified public accountant in the PRC.

SENIOR MANAGEMENT

Mr. Liu Xing, aged 46, is the chief financial officer of the Group. He first joined the Group in August 2014 as the chief financial officer of a subsidiary of the Company, namely Chongqing Dongyuan, and was responsible for overseeing its finance matters and daily management of finance department. He has served as the chief financial officer of the Company since January 2015 and has been responsible for managing district finance matters. He was appointed as the chief financial officer of the Group since December 2020. He is currently a director of several subsidiaries of the Company. He is also currently a supervisor of several subsidiaries of the Company. He obtained a bachelor's degree in accounting from Southwest Agricultural University (西南農業大學, currently known as 西南大學) in the PRC in July 1999 and a master's degree in accounting from Chongqing University (重慶大學) in December 2017. Mr. Liu is qualified as a senior accountant, and such qualification was accredited by the People's Government of Chongqing City of the PRC in December 2013.

Mr. Liu has over 21 years of experience in finance management. Prior to joining of the Group, between November 1999 and August 2014, he joined Chongqing Firm New Century Department Store Chain Operation Co., Ltd.* (重慶商社新世紀百貨連鎖經營有限公司), a company principally engaged in retail of groceries and consumer goods as a finance officer.

The Board presents the Directors' report for the financial year ended 31 December 2022.

CORPORATE INFORMATION

The Company is an investment holding company established in the PRC. The Group is principally engaged in property management services and related services. The Company was established in the PRC on 13 January 2015 as a limited liability company and converted into joint stock company with limited liability on 17 December 2020. The Company's H Shares were listed on the Main Board of the Stock Exchange on 29 April 2022. Details of the Company's information are set out on pages 2 to 3 of this report.

PRINCIPAL OPERATIONS

The Group is a long-established property management service provider offering comprehensive services for a wide range of property projects in the PRC with a rapid growth track record. As at 31 December 2022, the Group had business presence in two major regions in the PRC, namely, Southwestern China and Eastern China. The Group provides a wide range of property management services to property developers, property owners and residents. It also provides value-added services to non-property owners, primarily property developers and community value-added services to property owners and residents.

Details of the principal activities of the principal subsidiaries of the Group are set out in note 20 to the consolidated financial statements of the Group in this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2022. As at the date of this annual report, the Board has no intention to significantly change the principal business of the Group.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income of the Group in this annual report.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are set out in the section headed "Management discussion and analysis - Business review" and "Management discussion and analysis — Outlook for 2023". An analysis of the Group's performance during the Reporting Period using financial key performance indicators is set out in the section headed "Management Discussion and Analysis". Save as disclosed in the section headed "Management Discussion and Analysis — Events after the Reporting Period" in this annual report, the Group had no material events after the Reporting Period and up to the date of this annual report.

Material acquisitions and disposals

Save as disclosed in the section headed "Management Discussion and Analysis — Material investments, acquisitions and disposals" in this annual report, during the year ended 31 December 2022 and up to the date of this annual report, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

DIRECTORS' REPORT

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements of the Group in this annual report.

Reserves

Details of movements in the reserves of the Group during the Reporting Period are set out in note 28 to the consolidated statement of changes in equity in this annual report. As at 31 December 2022, the distributable reserve of the Company amounted to approximately RMB185.4 million (2021: RMB113.5 million).

Dividend

In view of the business growth of the Group and the support of the shareholders of the Company, the Board recommended the declaration of a final cash dividend of RMB0.14 per share (tax inclusive) for the year ended 31 December 2022 (2021: RMB0.80 per share).

The dividend distribution plan shall be subject to the approval of the shareholders of the Company at the AGM to be held on Friday, 9 June 2023 and such dividend is expected to be paid on or around Tuesday, 8 August 2023. The Final Dividend payable to holders of (i) Domestic Shares shall be paid in RMB; (ii) H Shares shall be declared in RMB and paid in HK dollars; and (iii) Unlisted Foreign Shares shall be declared in RMB and paid in USD, the exchange rate of which will be calculated based on the average exchange rate of RMB against HK dollars or USD published by the People's Bank of China seven days prior to the AGM. Upon approval at the AGM, the Final Dividend will be paid by Tuesday, 8 August 2023.

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing rules which came into effect on 1 January 2008, and amended on 24 February 2017 and 29 December 2018, the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Nonresident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the Final Dividend as enterprise income tax, distribute the Final Dividend to holders of Unlisted Foreign Shares and all non-resident enterprise Shareholders whose names appear on the H Share register of members of the Company, i.e. any Shareholders who hold H Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or H Shareholders registered in the name of other organisations and groups on Wednesday, 14 June 2023. After receiving dividends, the non-resident enterprise Shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund the tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

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

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

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

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders. Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

Major customers and suppliers

The table below sets out the types of major customers for each of the three business lines of the Group:

Business lines	**Major customers**
Property management services	Property developers, property owners, residents and enterprises
Value-added services to non-property owners	Property developers
Community value-added services	Property owners and residents

The suppliers of the Group are primarily third-party subcontractors located in the PRC which provide cleaning, security, landscaping and certain repair and maintenance services.

The percentage of sales and purchases for the Reporting Period attributable to the Group's major customers and suppliers are as follows:

Sales attributable to:

— the largest customer: 18.7%

— five largest customers in aggregate: 23.3%

During the Reporting Period, the total revenue attributable to the Group's five largest customers were less than 30%.

Purchases attributable to:

— the largest supplier: 5.6%

— the five largest suppliers in aggregate: 18.8%

During the Reporting Period, the total purchases attributable to the Group's five largest suppliers were less than 30% and the purchases attributable to the Group's largest supplier was less than 10%.

For the year ended 31 December 2022, the largest customer of the Group was Dima Group and its related parties, to whom the Group provided comprehensive property management services. Apart from Dima Group and its related parties, none of the Directors, or any of their close associates (as defined under the Listing Rules), or any shareholder who, to the knowledge of the Directors, own more than 5% of the Company' s issued share capital), had any interest in any of the five largest customers or suppliers of the Group during the Reporting Period.

Relationship with stakeholders

The Group recognises that the employees, customers and suppliers are keys to corporate sustainability and are keen on developing long-term relationships with stakeholders. The Company places significant emphasis on human capital and strives to foster an environment in which the employee can develop their full potential and to assist their personal and professional growth. The Company provides a fair and safe workplace, promoting diversity to its staff, providing competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. The Company understands that it is important to maintain good relationship with customers. The Group has established procedures in place for handling customers' complaints and customer satisfaction surveys in order to ensure customers' complaints are dealt with in a prompt and timely manner. The Group is also dedicated to develop good relationship with suppliers as long-term business partners to ensure stable supplies of materials. The Group reinforces business partnerships with suppliers and contractors by recurring communication in proactive and effective manner so as to ensure quality and delivery.

Share capital

As at 31 December 2022, the total share capital of the Company was RMB66,990,867, divided into 66,990,867 Shares (including 30,510,000 Domestic Shares, 19,490,000 Unlisted Foreign Shares and 16,990,867 H Shares) of nominal value of RMB1.00 each. Details of movements in share capital of the Company for the year ended 31 December 2022 and details of the Shares issued during the year ended 31 December 2022 are set out in note 27 to the consolidated financial statements of the Group in this annual report.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were as follows:

Non-executive Directors

Ms. Luo Shaoying (羅韶穎) *(Chairlady, appointed with effect from 31 October 2022)*
Ms. Yi Lin (易琳) (Note)
Mr. Chen Han (陳涵) *(resigned with effect from 31 October 2022)*

Executive Directors

Mr. Zhang Aiming (張愛明) *(Vice-chairman, appointed with effect from 31 October 2022)*
Mr. Fan Dong (范東)
Mr. Heng Qingda (衡清達) *(resigned with effect from 31 October 2022)*

Independent non-executive Directors

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

Note: Ms. Li Yin was the Chairlady of the Board with effect until 31 October 2022.

Mr. Heng Qingda and Mr. Chen Han resigned as an executive Director and a non-executive Director, respectively, with effect from 31 October 2022 in order to devote more time to their respective other commitments.

No Director will be proposed for re-election at the forthcoming AGM.

SUPERVISORS

The Supervisors during the Reporting Period and up to the date of this annual report were as follows:

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

The Supervisory Board has held two meetings during 2022. Details of the meetings and events conducted by the Supervisory Board during 2022 are set out in the work report of the Supervisory Board of this annual report.

DIRECTORS' REPORT

Details of biography of Directors, Supervisors and the senior management of the Company are set out on pages 22 to 26 of this annual report.

Directors' and Supervisors' service contracts

Each of the Directors has entered into a service contract with the Company for a term of three years from the Listing Date (apart from each of Ms. Luo Shaoying and Mr. Zhang Aiming, the term of their respective service contract commenced from 31 October 2022) until the expiration of the term of office of the first session of the Board (i.e. 13 December 2023). The appointments are subject to the relevant provisions of the Articles of Association with regard to vacation of office of Directors, removal and re-election of Directors.

Each of the Supervisors has entered into a service contract with the Company for a term of three years from the Listing Date, until the expiration of the term of the first session of the Supervisory Board. The appointments are subject to the relevant provisions of the Articles of Association with regard to vacation of office of Supervisors, removal and re-election of Supervisors.

No Director or Supervisor has a service contract with members of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

Emolument policy and Directors' remuneration

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on, among other things, each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. Details of the remuneration of the Directors and the five highest paid individuals are set out in note 37 and note 9, respectively to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Confirmation of independence of independent non-executive Directors

The Company has received a confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

Changes in information of Directors, Supervisors and Co-CEO

Changes in the information required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules are set out below:

1. Ms. Yi Lin, a non-executive Director, ceased to be the Chairlady of the Board, a member of the Audit Committee and a member and the chairlady of the Nomination Committee with effect from 31 October 2022. She was appointed as a member of the Remuneration Committee with effect from 31 October 2022;

2. Mr. Heng Qingda, resigned as an executive Director and ceased to be the vice-chairman of the Board and the Co-CEO with effect from 31 October 2022;

3. Mr. Chen Han, resigned as a non-executive Director and ceased to be a member of the Remuneration Committee with effect from 31 October 2022;

4. Ms. Luo Shaoying, was appointed as a non-executive Director, the Chairlady of the Board, a member of the Audit Committee and a member and the chairman of the Nomination Committee with effect from 31 October 2022; and

5. Mr. Zhang Aiming, was appointed as an executive Director, the vice-chairman of the Board and the Co-CEO with effect from 31 October 2022.

Save as disclosed above, there were no changes in the information of the Directors, Supervisors and Co-CEO which are required to be disclosed pursuant to Rule 13.51(2) and 13.51B of the Listing Rules as at the date of this annual report.

Compliance with non-competition undertakings and Directors' interests in competing business

Interests in competing business

None of the Directors, Supervisors or their associates 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 31 December 2022.

Non-competition Undertaking

To protect the Group from potential competition in the future with respect to the provision of property management business by the Group, each of the Controlling Shareholders has given an irrevocable Non-competition Undertaking in favour of the Company (for itself and for the benefits of its subsidiaries). For details, please refer to the section headed "Relationship with our Controlling Shareholders — Non-competition — Non-Competition Undertaking" in the Prospectus.

In compliance with the Non-competition Undertaking, each of the Controlling Shareholders will make an annual declaration as to compliance with the terms of the Non-competition Undertaking. Each of the Controlling Shareholders has confirmed that it has complied with the Non-competition Undertaking during the Reporting Period. The Company has received a written confirmation from each of the Controlling Shareholders in respect of the compliance by them and their close associates in respect of the compliance by them and their close associates with the terms of the Non-competition Undertaking. The independent non-executive Directors have reviewed the Non-competition Undertaking and assessed whether the Controlling Shareholders and their close associates have complied with the terms of the Non-competition Undertaking, and were satisfied that each of the Controlling Shareholders has complied with its undertakings under the Non-competition Undertaking during the period commencing from the date of the Non-competition Undertaking and up to 31 December 2022.

Continuing connected transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions during the Reporting Period are as follows:

1. *Property management services*

   On 10 March 2021, the Company entered into a master property management service agreement (the "**Master Property Management Service Agreement**") with Dima Group, pursuant to which the Group agreed to provide to Dima Group and Affiliated Companies (including associates of Dima Group as defined under the Listing Rules) property management services from the Listing Date to 31 December 2023.

   The property management fees to be charged pursuant to the Master Property Management Service Agreement shall be determined after arms' length negotiations with the prevailing market price (taking into account of the location of the property projects, the expected operational costs (including, among others, labour costs, material costs and administrative costs)), historical transaction amounts and the prices charged by the Group for providing comparable services to Independent Third Parties. The property management fees shall be on normal commercial terms, and at prices no more favourable than those provided to customers who are Independent Third Parties. Since the Master Property Management Service Agreement is a framework agreement, such agreement does not specify any repayment terms. Please refer to the section headed "Continuing connected transactions — (B) Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements — 1. Property management services" in the Prospectus for details.

   It was estimated that the maximum amounts of property management fees payable to the Group in relation to the transaction contemplated under the Master Property Management Service Agreement for the year ended 31 December 2022 would not exceed RMB65.5 million.

   During the Reporting Period, the total property management fees paid by Dima Group and Affiliated Companies amounted to approximately RMB41.8 million.

2. Provision of sales assistance services and other value-added services

On 10 March 2021, the Company entered into a master sales assistance and other value-added services agreement (the "**Master Value-added Services Agreement**") with Dima Group, pursuant to which the Group agreed to provide value-added services, including, among others, sales assistance services ("**Sales Assistance Services**"), pre-delivery consultancy and inspection services ("**Preliminary Planning Services**") to Dima Group and Affiliated Companies (including associates of Dima Group as defined under the Listing Rules) from the Listing Date to 31 December 2023.

Please refer to the section headed "Continuing connected transactions — (B) Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements — 2. Provision of sales assistance services and other value-added services" in the Prospectus for details.

It was estimated that the maximum amounts of fees payable to the Group in relation to the transactions contemplated under the Master Value-added Services Agreement for the year ended 31 December 2022 would not exceed RMB245.7 million.

During the Reporting period, the total service fees paid by Dima Group and Affiliated Companies pursuant to the Master Value-added Services Agreement amounted to approximately RMB144.7 million.

3. Provision of community value-added services

On 10 March 2021, the Company entered into a master community value-added services agreement (the "**Master Community Value-added Services Agreement**") with Dima Group, pursuant to which the Group agreed to provide community value-added services, including car parking spaces management and car parking spaces and property sales services ("**Management and Agency Services**"), community events planning services ("**Community Events Planning Services**") and other community value-added services to Dima Group and Affiliated Companies (including associates of Dima Group as defined under the Listing Rules) from the Listing Date to 31 December 2023.

Please refer to the section headed "Continuing connected transactions — (B) Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements — 3. Provision of community value-added services" in the Prospectus for details.

It was estimated that the maximum amounts of fees payable to the Group in relation to the transactions contemplated under the Master Community Value-added Services Agreement for the year ended 31 December 2022 would not exceed RMB122.1 million.

During the Reporting period, the total service fees paid by Dima Group and Affiliated Companies pursuant to the Master Community Value-added Services Agreement amounted to approximately RMB65.1 million.

Throughout the Reporting Period, Dima was one of the Controlling Shareholders and therefore Dima was a connected person of the Company.

DIRECTORS' REPORT

Save to the extent as permitted by the waivers from the announcement requirement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules granted by the Stock Exchange as disclosed in the Prospectus, the Company has complied with the requirements in Chapter 14A of the Listing Rules for the Reporting Period in relation to the Group's related party transactions which constitute continuing connected transactions as abovementioned.

Confirmation from the independent non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above and confirmed that the transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms or better, and in accordance with the agreed terms of the relevant agreements which are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the auditor

The Company's auditor has been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that:

a. nothing has come to their attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to their attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the disclosed continuing connected transactions, nothing has come to their attention that causes it to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter has been delivered by the Company to the Stock Exchange.

Related party transactions

A summary of the related party transactions entered into by the Group during the year ended 31 December 2022 is contained in note 36 ("Note 36") to the consolidated financial statements of the Group in this annual report.

Save as disclosed in item (b)(i) of Note 36 headed "Related Party Transactions" to the consolidated financial statements contained in the Annual Report, none of the related party transactions as disclosed under Note 36 constitute connected transaction or continuing connected transaction that is subject to, among other things, reporting, announcement, annual review and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements for connected transactions or continuing connected transactions in accordance with Chapter 14A of the Listing Rules during the year under review.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those transactions disclosed in note 37 to the consolidated financial statements of the Group in this annual report and in the paragraphs headed "Compliance with non-competition undertakings and Directors' interests in competing business" and "Continuing connected transactions" in this section, no Director, Supervisor or Controlling Shareholder nor any entity connected therewith has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies was a party subsisted at the end of the year or at any time during the year ended 31 December 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties facing the Group include, among others:

(i) the Group's historical results may not be indicative of its future prospects and results of operation and its future growth may not materialize as planned, and failure to manage any future growth effectively may have a material adverse effect on the business, financial condition and results of operation of the Group. The Group will continue to uplift its operation and management capability and market competitiveness and seize market opportunities for achieving continual growth in operating results;

(ii) a substantial portion of the revenue of the Group is generated from property management services the Group provides to property projects sourced from Dima Group which the Group does not have control over. The Group will continue to expand its coverage to properties developed by third-party developers and reduce reliance on properties developed by related parties;

(iii) the Group may not procure new property management service agreements as planned or at desirable pace or price and the profitability of the Group depends on the Group's ability to obtain new customers and retaining existing customers. The Group will continue to expand its property management portfolio by proactive market-oriented expansion and strategic acquisition to add to the scale of its properties under management;

(iv) termination or non-renewal of the Group's property management service agreements for a significant number of property projects could have a material adverse effect on its business, financial condition and results of operations. The Group will continue to enhance quality and uplift service capability, gain customers' recognition, and increase contract renewal rate; and

(v) the Group's future acquisitions or investment in other companies may not be successful and the Group may face difficulties in integrating acquired operations with its existing business. The Group will continue to proactively explore acquisition and investment opportunities and build up experience in integrating acquired operations.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at the date of this annual report, except as disclosed in the annual report, the Group complied with, in all material respects, all the relevant and applicable PRC laws and regulations governing the business of property management and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

As at the date of this annual report, the Company's joint ventures and associated company were not involved in and the Board is not aware of any non-compliance incidents that might adversely affect the value of the Company's interests in them.

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 31 December 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 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 31 December 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:

1. The letter "L" denotes the person's long position in such securities.

2. The calculation is based on 30,510,000 Domestic Shares in issue as at 31 December 2022.

3. The calculation is based on the total number of 66,990,867 Shares in issue as at 31 December 2022.

4. Mr. Fan Dong is interested in approximately 52.74% of the equity interest in Tianjin Partnership and is therefore deemed to be interested in all the Shares held by Tianjin Partnership, by the virtue of SFO.

(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) were 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 31 December 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 31 December 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	Domestic Shares	Beneficial owner	25,520,000 (L)	83.64	38.09
Dima Ruisheng	Domestic Shares	Interest in a controlled corporation *(Note 4)*	25,520,000 (L)	83.64	38.09
Dima	Domestic Shares	Interest in a controlled corporation *(Note 4)*	25,520,000 (L)	83.64	38.09
Chongqing Doyen	Domestic Shares	Interest in a controlled corporation *(Note 4)*	25,520,000 (L)	83.64	38.09
Mr. Lo	Domestic Shares	Interest in a controlled corporation *(Note 4)*	25,520,000 (L)	83.64	38.09
Ms. Chiu	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

Name of Shareholder	Class of Shares held	Nature of interest	Number of Shares held as at 31 December 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. 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
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.	H Shares	Interest in a controlled corporation *(Note 11)*	6,785,000 (L)	34.81	10.13
China Credit Trust Co., Ltd	H Shares	Interest in a controlled corporation *(Note 11)*	6,785,000 (L)	34.81	10.13
成都照月投资管理有限公司	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
GTJA Investments	H Shares	Nominee for another person (other than a bare trustee) *(Note 14)*	2,025,000 (L) 2,025,000 (S)	11.92 11.92	3.02 3.02
Guotai Junan Securities Co., Ltd	H Shares	Interest in a controlled corporation *(Note 14)*	2,025,000 (L) 2,025,000 (S)	11.92 11.92	3.02 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

Name of Shareholder	Class of Shares held	Nature of interest	Number of Shares held as at 31 December 2022	Approximate shareholding percentage in the relevant class *(Note 2)* (%)	Approximate shareholding percentage in the total issued share capital of the Company *(Note 3)* (%)
耀昇投資有限公司 PROFIT RIDER LIMITED	H Shares	Beneficial owner	969,200 (L)	5.70	1.45
	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

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 31 December 2022.

3. The calculation is based on the total number of 66,990,867 Shares in issue as at 31 December 2022.

4. Tianjin Chengfang was wholly-owned by Dima Ruisheng which was in turn wholly-owned by Dima. As at 31 December 2022, Dima was an A-share company listed on the Shanghai Stock Exchange and was owned by Chongqing Doyen and Chongqing Shuorun as to approximately 35.55% and 3.01% respectively. Chongqing Shuorun was owned by Chongqing Doyen and Ms. Chiu as to approximately 98.96% and 1.04% respectively, while Chongqing Doyen was owned by Mr. Lo and Ms. Chiu as to approximately 77.78% and 22.22% respectively. 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. Chiu is the spouse of Mr. Lo. By virtue of the SFO, Ms. Chiu is deemed to be interested in all the Shares held by Mr. Lo.

6. Tianjin Partnership was 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.

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 Investments Limited (being the shareholder holding as to approximately 91% of Harvest International Premium Value (Alternative Investments) Fund SPC on behalf of Property Management Investment SP); (iii) 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 (iv) 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 31 December 2022, the Company had not been notified of any persons (other than a Director, Supervisor 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2022.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2022, there were no any rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company, or the law of PRC being the jurisdiction in which the Company was incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" in this annual report.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Environmental protection

The Group is subject to PRC laws in relation to environment protection matters. The Group considers the protection of the environment to be important and have implemented measures in the operation of its businesses to ensure its compliance with all applicable requirements. Given the nature of its operations, the Group believes it is not subject to material environmental liability risk or compliance costs.

During the year ended 31 December 2022 and up to the date of this annual report, no fines or penalties for non-compliance of PRC environmental laws had been imposed on the Group, and the Group had not been subject to any material administrative penalties due to violation of environmental laws in the PRC.

Social responsibility

The Group has entered into employment contracts with its employees in accordance with the applicable PRC laws and regulations.

The Group maintains social welfare insurance for its full-time employees in the PRC, including pension insurance, medical insurance, personal injury insurance, unemployment insurance and maternity insurance, in accordance with the relevant PRC laws and regulations.

Health and work safety

The employee's administrative measures adopted by the Group contain policies and procedures regarding work safety and occupational health issues. The Group provides its employees with annual medical checks and safety training, and the construction sites of the Group are equipped with safety equipment including gloves, boots and hats.

The operational management department of the Group is responsible for recording and handling work accidents as well as maintaining health and work safety compliance records.

During the year ended 31 December 2022 and up to the date of this annual report, the Group did not encounter any material safety accident, there were no material claims for personal or property damages and no material compensation was paid to employees in respect of claims for personal or property damages related to safety accident.

Corporate governance

The Company has adopted the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company is in compliance with the mandatory code provisions of the CG Code for the Reporting Period.

For details of the Corporate Governance Report, please refer to pages 48 to 67 of this annual report.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association provides that the Directors, managing directors, alternate Directors, auditors, secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts. The Company has arranged appropriate directors' and officers' liability insurance in respect of legal action against Directors.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company, or subsisted during the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The AGM is scheduled to be held on 9 June 2023. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

CHARITABLE DONATIONS

During the year ended 31 December 2022, the Group made charitable and other donations in a total amount of RMB150,000 (2021: RMB316,700).

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed together with the management of the Company the accounting principles and policies adopted by the Group and the audited annual results for the year ended 31 December 2022.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by BDO Limited. A resolution for the re-appointment of BDO Limited. as the Company's auditor is to be proposed at the AGM.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert. The Company is not aware of any tax relief or exemption available to the Shareholders of the Company due to their holding of the Company's securities.

For and on behalf of the Board
Dowell Service Group Co. Limited*
Luo Shaoying
Chairlady

Hong Kong, 30 March 2023

* For identification purpose only.

SUPERVISORY BOARD'S REPORT

During the Reporting Period, the Supervisory Board carefully and thoroughly performed its supervisory functions in favour of the Company and the Shareholders in a responsible manner according to the Company Law, the Articles of Association and the requirements under the relevant laws and regulations in the PRC, while duly monitoring and examining the operations and financial conditions of the Group, as well as supervising the performance of duties by the members of the Board and management of the Company, according to the laws.

I. CONVENING OF THE MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held two meetings during the Reporting Period. The details are as follows:

(a) On 23 May 2022, the sixth meeting of the first session of the Supervisory Board was convened, during which the Supervisory Board considered and approved, among others, (i) the 2021 work report of the Board; (ii) the 2021 work report of the Supervisory Board; (iii) the financial account report for the year ended 31 December 2021; and (iv) the 2021 profit distribution plan; and

(b) On 23 August 2022, the seventh meeting of the first session of the Supervisory Board was convened, during which the Supervisory Board considered and approved, among others, (i) the contents of the Company's consolidated financial information for the six months ended 30 June 2022; and (ii) the contents of the Company's draft interim results announcement and interim report.

II. OPINIONS OF THE SUPERVISORY BOARD ON SUPERVISED MATTERS OF THE COMPANY DURING THE REPORTING PERIOD

1. Compliance of the Company's operations with legal requirements

During the Reporting Period, pursuant to the laws and regulations of the PRC and the Articles of Association, the Supervisory Board duly supervised the convening procedures and resolutions of general meetings of Shareholders and meetings of the Board, the Board's execution of resolutions approved at general meetings of Shareholders, the performance of duties by the senior management of the Company. The Supervisory Board was of the view that the Company's operation was in compliance with laws and regulations, and the internal control system was comprehensive and sound. The Board strictly carried out various resolutions approved by and authorisations granted by general meetings, and the decision making procedure was lawful and effective. The Directors and senior management of the Company could perform their respective duties with diligence and dedication without violating laws, regulations and the Articles of Association or damaging interests of the Company and its Shareholders.

2. Financial position of the Company

During the Reporting Period, the Supervisory Board has carefully reviewed the consolidated financial statements and financial information of the Company during the Reporting Period. The Supervisory Board was of the view that the procedures adopted by the Board in preparing and considering the annual financial report of the Company are in compliance with the laws and regulations of the PRC. The contents of the report gave a true, accurate and complete view of the actual situation of the Company and do not contain false statements, misleading representations or material omissions.

3. Use of Net Proceeds

During the Reporting Report, the use of the Net Proceeds strictly observed relevant provisions and the use disclosed, and no illegal use of the Net Proceeds were found.

4. Material related party transactions

During the Reporting Period, the Company conducted related party transactions, including continuing connected transactions according to the principle of fairness and such transactions have been complying with laws and regulations. The continuing connected transactions were found to be in conformity to the provisions of relevant agreements, and have fulfilled the obligation of information disclosure in accordance with the Listing Rules. The Supervisory Board was not aware of any action which would damage the interests of the Company and investors in the Company.

5. The Supervisory Board has no disagreement on the matters supervised during the Reporting Period

III. MEMBERS OF THE SUPERVISORY BOARD AND ATTENDANCE OF THE MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board, which comprises three members, including two Shareholder representative Supervisors and one employee representative Supervisor appointed by the workers' congress. All the members of the Supervisory Board are diligent and conscientious, and have conscientiously performed their duties in compliance with the relevant laws, regulations and the Articles of Association, and have personally attended all the meetings of the Supervisory Board.

IV. WORKING PLAN FOR 2023

In 2023, the Supervisory Board will continue to abide by the principle of being responsible to all the Shareholders, and perform its supervisory duties in strict accordance with the requirements of the relevant laws and regulations and the Articles of Association. The Supervisory Board will continue to strengthen the internal learning and training of Supervisors to improve their supervision awareness and ability, and continuously promote self-improvement of the Supervisory Board. According to the authority and responsibilities stipulated in the Company Law, the Supervisory Board will effectively supervise the Company's business activities and play an important role in the governance of the Company and the protection of Shareholders' rights, so as to effectively safeguard and protect the interests of the Company and its Shareholders, and prevent damage to the interests and image of the Company.

By order of the Supervisory Board of
Dowell Service Group Co. Limited*
Wang Jun
Chairman of the Supervisory Board

30 March 2023

* For identification purpose only.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value as well as the responsibility commitments. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules 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 under the annual report of the Company.

To the knowledge of the Directors, from the Listing Date until 31 December 2022 and up to the date of this annual report, the Company has complied with all applicable code provisions set out in the CG Code. The Directors will use their best endeavours to procure the Company to continue to comply with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted 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.

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 until 31 December 2022 and up to the date of this annual report.

THE BOARD OF DIRECTORS

Responsibilities, accountabilities and contribution of the Board and management

The Board assumes the responsibility of leadership and control of the Company, and supervises and approves significant decisions regarding financial performance, strategic development objectives and operations of the Company. The management is authorised and responsible to handle the Company's daily operations and businesses management. The Board is well balanced with Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, the non-executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. In particular, the independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent views and judgement on corporate actions and operations. The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, and has delegated to the Board Committees various duties. All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

All Directors shall at all times ensure that they carry out duties in good faith, in compliance with all applicable laws and regulations, and in the interests of the Company and the Shareholders. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board annually reviews the implementation and effectiveness of mechanisms to ensure independent views and input available to the Board and the Board is of the view that the independent mechanism is effective.

The Company has arranged appropriate insurance coverage on Directors' and senior managements' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Board composition and change in Board composition

The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:

Mr. Zhang Aiming *(Co-CEO) (appointed with effect from 31 October 2022)*
Mr. Heng Qingda *(resigned with effect from 31 October 2022)*
Mr. Fan Dong *(Co-CEO)*

Non-executive Directors:

Ms. Luo Shaoying *(Chairlady) (appointed with effect from 31 October 2022)*
Ms. Yi Lin
Mr. Chen Han *(resigned with effect from 31 October 2022)*

Independent non-executive Directors:
Ms. Cai Ying
Mr. Wang Susheng
Mr. Song Deliang

The brief biological information of each Director is set out in the section headed "Directors, Supervisors and senior management" in this annual report. The changes in information of Directors, Supervisors and Co-CEO is set out in the section headed "Director's Report - Changes in Information of Directors, Supervisors and Co-CEO" in this annual report. Save as disclosed therein, there are no other material relationships (whether financial, business, family or others) among the members of the Board.

Each of the Directors have entered into a service contract or letter of appointment with the Company for a term of not more than three years until the expiry of the term of office of the first session of the Board (i.e. 13 December 2023).

Chairman and chief executive officer

The roles of the Chairman and the chief executive officer have been separated as required by Code Provision C.2.1 of the CG Code.

The Chairman and the Co-CEO have separate defined responsibilities. The Chairman is responsible in leading the Board in forming the Group's strategies and policies and for organising the business of the Board, ensuring its effectiveness and setting its agenda but not involved in the day-to-day business operation of the Group. The Co-CEO are directly in charge of the daily operations of the Group and are accountable to the Board for the financial and operational performance of the Group. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

Independent non-executive Directors

Since the Listing Date and until 31 December 2022 and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing no less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

In determining the independence of the independent non-executive Directors, the Company follows the requirements as set out in the Listing Rules. The Company has received written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointments, re-election and removal of Directors

Directors (including non-executive Directors) shall be elected at the shareholders' general meeting with a term of office from the date he or she takes office, until the expiry of the term of office of the session of the Board. Upon expiry of the term, a Director shall be eligible to offer himself for re-election and re-appointment. Any Director with unexpired term of office may be removed by the shareholders' general meeting by an ordinary resolution.

Continuous professional development of Directors

Each Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under all applicable laws and regulations.

The Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company will continue to arrange regular seminars to provide the Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge his/her duty.

The Directors are committed to complying with the CG Code C.1.4 on Directors' training. During the Reporting Period, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including compliance manual/legal and regulatory updates/ seminar handouts have been provided to the Directors for their reference and studying.

According to the records provided by the Directors, a summary of training received by the Directors during the Reporting Period is as follows:

Name of Directors	Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops	Reading relevant news alerts, newspapers, journals, magazines and relevant publications
Non-executive Directors		
Ms. Li Yin	√	√
Ms. Luo Shaoying *(appointed with effect from 31 October 2022)*	√	√
Mr. Chen Han *(resigned with effect from 31 October 2022)*	√	√
Executive Directors		
Mr. Heng Qingda *(resigned with effect from 31 October 2022)*	√	√
Mr. Zhang Aiming *(appointed with effect from 31 October 2022)*	√	√
Mr. Fan Dong	√	√
Independent non-executive Directors		
Ms. Cai Ying	√	√
Mr. Wang Susheng	√	√
Mr. Song Deliang	√	√

Board Meetings

Pursuant to Code Provision C.5.1 of the CG Code, at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means.

The Company has adopted the practice of holding Board meetings regularly. Notice of not less than 14 days is given of all regular Board meetings to provide all Directors with the opportunity to attend and include matters in the agenda. For other Board Committee meetings, seven days' notice is given. The agenda and accompanying board papers are despatched to the Directors or Board Committee members at least three days before meetings to ensure that they have sufficient time to review these documents and be adequately prepared. When the Directors or Board Committee members are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board Committee prior to the meeting.

All the Directors have access to advice and services of the Company's joint company secretaries, who are responsible for ensuring that Board procedures and applicable regulations under the Articles of Association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

Minutes of the Board meetings and Board Committee meetings are recorded in detail and include the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors within a reasonable time after the date on which the meeting is held so that they have an opportunity to request amendments. All minutes are kept by the Company and are open for inspection by any Director during normal office hours with reasonable advance notice. Matters considered and decisions reached at the Board and Committee meetings are recorded with sufficient detail in the minutes.

Attendance record of Directors

The attendance record of each Director at the Board meetings and the general meetings of the Company during the year ended 31 December 2022 is set out below:

	Meetings attended/number of meetings	
Name of Directors	**Board meeting**	**General meeting**
Executive Directors		
Mr. Zhang Aiming *(appointed with effect from 31 October 2022)*	0/0	0/0
Mr. Heng Qingda *(resigned with effect from 31 October 2022)*	5/5	2/2
Mr. Fan Dong	5/5	2/2
Non-executive Directors		
Ms. Luo Shaoying *(Chairlady) (appointed with effect from 31 October 2022)*	0/0	0/0
Ms. Yi Lin	5/5	2/2
Mr. Chen Han *(resigned with effect from 31 October 2022)*	5/5	2/2
Independent non-executive Directors		
Ms. Cai Ying	5/5	2/2
Mr. Wang Susheng	5/5	2/2
Mr. Song Deliang	5/5	2/2

Board Committees

Each of the Board Committees has specific written terms of reference which deal clearly with their respective authority and duties. The Board Committees operate in accordance with their terms of reference established by the Board.

Audit Committee

The Company established the Audit Committee on 20 February 2021 with written terms of reference in compliance with the Listing Rules.

The Audit Committee consists of one non-executive Director, namely Ms. Yi Lin (with effect until 31 October 2022)/Ms. Luo Shaoying (with effect from 31 October 2022), and two independent non-executive Directors, namely Mr. Wang Susheng and Mr. Song Deliang. The chairman of the Audit Committee is Mr. Song Deliang, who has the appropriate professional qualifications and experience in accounting matters.

The primary responsibilities 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, assisting the Board in reviewing the financial information and reporting process of the Group and performing other duties and responsibilities as assigned by the Board; (iii) developing and reviewing the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) developing, reviewing and monitoring the code of conduct applicable to the Company's employees and Directors.

The Audit Committee convened two meetings during the Reporting Period. The table below sets forth the details of the attendance at these meetings:

Name of committee member	**Number of meetings attended/ number of meetings**
Ms. Luo Shaoying *(with effect from 31 October 2022)*	0/0
Ms. Yi Lin *(until 31 October 2022)*	2/2
Mr. Wang Susheng	2/2
Mr. Song Deliang	2/2

The Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2022 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee also discussed the matters of audit and financial reporting. It had also reviewed the significant issues on the financial reporting and compliance procedures, internal control and risk management systems and connected transactions, and have discussed with the auditor of the Company about the tasks they performed.

The Audit Committee had reviewed the remuneration of the auditor for the year ended 31 December 2022 and has recommended the Board to re-appoint BDO Limited as the auditor of the Company for the year ending 31 December 2023, subject to approval by the Shareholders at the AGM.

The work performed by the Audit Committee during the Reporting Period included, among others, the following:

- reviewed the audited condensed consolidated results for the year ended 31 December 2021;
- reviewed the unaudited condensed consolidated interim results for the six months ended 30 June 2022;
- reviewed the Company's cash flow and monitoring the Company's overall financial condition;
- made recommendation to the Board in relation to the change of auditors;
- reviewed the appropriateness and effectiveness of the risk management and internal control systems of the Company and recommended improvements of such systems to the Board;
- reviewed the appropriateness and effectiveness of the internal audit functions of the Company and recommended improvements of such function to the Board; and
- reviewed the arrangements which employees can raise concerns on possible improprieties in financial reporting, internal control or other matters, and investigating such matters (where necessary).

Remuneration Committee

The Company established the Remuneration Committee on 20 February 2021 with written terms of reference in compliance with the Listing Rules.

The Remuneration Committee consists of one non-executive Director, namely Mr. Chen Han (with effect until 31 October 2022)/Ms. Yi Lin (with effect from 31 October 2022), and two independent non-executive Directors, namely Ms. Cai Ying and Mr. Wang Susheng. The chairman of the Remuneration Committee is Mr. Wang Susheng.

The primary responsibilities of the Remuneration Committee include, among others, (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of Directors and senior management.

The Remuneration Committee convened one meeting during the Reporting Period. The table below sets forth the details of the attendance at such meeting:

Name of committee member	**Number of meetings attended/ number of meeting**
Ms. Yi Lin *(with effect from 31 October 2022)*	0/0
Mr. Chen Han *(until 31 October 2022)*	1/1
Ms. Cai Ying	1/1
Mr. Wang Susheng	1/1

During such meeting, the Remuneration Committee reviewed and recommended the Board the remuneration policy and structure of the Company and the remuneration packages of all Directors, Supervisors and senior management.

Compensation of the Directors, Supervisors and senior management

The executive Directors, Supervisors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company regularly reviews and determines the remuneration and compensation packages of the Directors, Supervisors and senior management.

The aggregate amount of remuneration paid by the Company to Directors and Supervisors (including salaries, allowances and contributions to retirement benefit scheme) for the year ended 31 December 2022 was approximately RMB8.1 million.

The aggregate amount of remuneration paid by the Company to its five highest paid individuals (including the Directors, Supervisors and senior management) (including salaries, allowances and contributions to retirement benefit scheme) for the year ended 31 December 2022 was approximately RMB11.1 million.

None of the Directors had waived or agreed to waive any remuneration for the year ended 31 December 2022.

The Board will review and determine the remuneration and compensation packages of the Directors, Supervisors and senior management and will receive recommendation from the Remuneration Committee which will take into account, among other things, salaries paid by comparable companies, time commitments and responsibilities of the Directors and Supervisors and performance of the Company.

For additional information on the Directors', Supervisors' and senior managements' remuneration for the year ended 31 December 2022 as well as information on the highest paid individuals, please refer to note 37 and note 9 to consolidated financial statements.

Further, and pursuant to code provision E.1.5 of the CG Code, the annual remuneration of members of the senior management (excluding Directors and Supervisors) by band for the year ended 31 December 2022 is set out below:

Remuneration band	**Number of persons**
HK$1,500,001 to HK$2,000,000	1

Nomination Committee

The Company established the Nomination Committee on 20 February 2021 with written terms of reference in compliance with the Listing Rules.

The Nomination Committee consists of one non-executive Director, namely Ms. Yi Lin (with effect until 31 October 2022)/Ms. Luo Shaoying (with effect from 31 October 2022), and two independent non-executive Directors, namely Ms. Cai Ying and Mr. Song Deliang. The chairman of the Nomination Committee is Ms. Luo Shaoying.

The primary responsibility of the Nomination Committee is to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the corporate's strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; (iv) review and report annually to the Board the implementation and effectiveness of mechanism to ensure independent views and input are available to the Board; and (v) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for directors, in particular the Chairman and the chief executive officer of the Company.

The Nomination Committee convened one meeting during the Reporting Period. The table below sets forth the details of the attendance at such meeting:

Name of committee member	**Number of meetings attended/ number of meeting**
Ms. Luo Shaoying *(with effect from 31 October 2022)*	0/0
Ms. Yi Lin *(until 31 October 2022)*	1/1
Ms. Cai Ying	1/1
Mr. Song Deliang	1/1

The work performed by the Nomination Committee during the Reporting Period included, among others, the following:

- reviewed the structure, size, composition and diversity of the Board;
- assessed the independence of the independent non-executive Directors; and
- reviewed and made recommendations to the Board on the nomination policy.

Director nomination policy

The Board has delegated its responsibilities and authority for selection and recommendation for the appointment of Directors to the Nomination Committee.

The Company has adopted a Director nomination policy (the "**Nomination Policy**"), which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors. It aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

The Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy and diversity aspects under the board diversity policy;
- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- willingness, ability to devote adequate time and relevant interest to discharge duties as a member of the Board and/or Board Committee(s).

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. After receiving a list of candidates for the replacement and appointment of new Directors, the Nomination Committee will request the candidate to provide his/her biographical information and other information deemed necessary. The Nomination Committee will review and take reasonable steps to verify the information obtained from the candidate and seek clarification, where required. The Nomination Committee may, at its discretion, invite any candidate to meet with the Nomination Committee members to assist them in their consideration of the proposed nomination or recommendation. The Nomination Committee will then submitted its nomination proposal to the Board for consideration and make the corresponding recommendation to the Shareholders for approval.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

Board diversity policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. The Group will continue to implement measures and steps to promote and enhance gender diversity at all levels of the Company. The Company will select potential Board candidates based on merit and his/her potential contribution to the Board while taking into account the board diversity policy and other factors. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Board comprises seven members, including three female Directors. The Directors also have a balanced mix of knowledge, skills and experience, including property management, accounting, finance and investment. They obtained degrees in various majors including but without limitation to accounting, finance, business administration and law. The Company has three independent non-executive Directors who have different industry backgrounds, including economics, accounting and financial management. The Company has taken and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at Board and senior management levels. Taking into account the Company's business model and specific needs as well as the presence of three female Directors out of a total of seven Board members, the Company considers that the composition of the Board satisfies the board diversity policy.

The Company will also ensure that there is gender diversity when recruiting staff at mid to senior levels so that it will have a pipeline of female senior management and potential successors to the Board going forward. It is the Company's objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. As at 31 December 2022, the gender ratio in the workforce (including senior management) was approximately 50.8% male and 49.2% female. Accordingly, the Company considers that gender diversity is achieved in its workforce.

The Nomination Committee is responsible for the implementation of the board diversity policy and compliance with relevant codes governing board diversity under the CG Code. The Nomination Committee will review the board diversity policy and the Company's diversity profile (including gender balance) annually to ensure its continued effectiveness.

Corporate governance functions

The Board is responsible for performing the functions set out in Code Provision A.2 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors, Supervisors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this corporate governance report.

CORPORATE GOVERNANCE REPORT

DIRECTORS'S 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 during the Reporting 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

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

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 annual report, the Company maintained sufficient public float as required under Rule 8.08 of the Listing Rules.

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

From the Listing Date to 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 108 to 115 of this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

BDO Limited, Certified Public Accountants, were engaged as the Company's external auditor for the year ended 31 December 2022. PricewaterhouseCoopers retired as the audit institution of the Company and were not re-appointed upon expiration of its term of office at the conclusion of the annual general meeting of the Company held on 28 June 2022. Pursuant to an open selection process and on the recommendation of the Audit Committee and the Board, on 28 June 2022, the Shareholders considered and approved the appointment of BDO Limited as the auditor of the Company for 2022, to hold office until the conclusion of the next annual general meeting of the Company, and to authorise the Board to fix the remuneration of the auditor. Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

An external auditor may provide certain non-audit services to the Group as long as these services do not involve any management or decision making functions for and on behalf of the Group, or performing self-assessments or action as an advocacy role for the Group.

Before any engagement with external auditor for non-audit services, external auditor must comply with the independence requirements under Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants. An independent auditor's responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report of this annual report. During the year ended 31 December 2022, the remunerations paid or payable to BDO Limited regarding the audit and non-audit services are set out as follows:

	RMB
Audit and related services	1,750,000
Non-audit services *(Note)*	100,000
	1,850,000

Note: Non-audit services include agreed-upon procedures on the interim financial statements of the Group for the six months ended 30 June 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group endeavours to uphold the integrity of its business by maintaining an internal control system in its organisational structure to allow for corporate compliance culture to be embedded into its day-to-day operations. The Group's internal control system and procedures are designed to meet its specific business needs and to minimise its risk exposure. For instance, the Group's employees are required to attend staff trainings in relation to policy changes and other issues from time to time. The Board acknowledges its responsibility for ensuring that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Group has developed and established an internal audit and risk management team, which reports to the Board and the Audit Committee, to look after the Group's systems of internal control, risk management and the internal audit function. The systems of internal control and risk management are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

The Group has set up and implemented, among others, the following internal control measures:

(1) a system to monitor and manage any overdue account receivables;

(2) an internal accounting policy with clear guidelines in relation to the revenue recognition policy of the Group's revenue derived from each of its property management services, community value-added services and value-added services to non-property owners in accordance with the relevant applicable accounting standards;

(3) standardised the Group's third-party subcontractors selection and engagement process;

(4) formulate a purchase order creation and approval mechanism;

(5) standardised the Group's accounts payable management process;

(6) enhanced the management of the safety of the Group's database systems; and

(7) developed a standard procedure alternation process and system and formulate an official data recovery plan.

The Group has established risk management manual to formulate the risk management process and the management is committed to fostering a risk aware and control conscious environment. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. The procedures for risk management are as follows:

Risk identification

Both internal and external factors including economic, political, technology and environmental, social and governance factors, laws and regulations, business objectives and stakeholders' expectation would be considered.

Risk assessment

The risk identified would be assessed and rated based on the likelihood and impact to the achievement of the Group's objectives.

Control activities

The internal control procedures have been designed and implemented to address the risks.

Risk monitoring

Risk register has been maintained and updated regularly to monitor risks on an ongoing basis.

Risk management review

The Board and the Audit Committee would perform a review of any change of significant risks reported by the internal audit and risk management team.

Reference is also made to the Prospectus in relation to, among others, non-compliance incidents of contribution rate of social insurance and housing provident funds. As at 31 July 2022, the contribution rate of social insurance and housing provident funds were adjusted and paid for all employees. As at 31 December 2022 and up to the date of this annual report, so far as the Directors are aware, there have not been any other incidents of non-compliance.

The Group has also implemented various risk management policies and measures to identify, assess and manage risks arising from its operations. Detailed risk categories identified by the management, internal and external reporting mechanism, remedial measures and contingency management have been codified in the Group's policies.

During the Reporting Period the internal audit functions have been carried out under the leadership of the Board and the Audit Committee. The Audit Committee reviewed the effectiveness of internal control system of the Group in respect of finance, operation, compliance and business matters and reported the results to the Board. Should any material fault or any material weakness in monitoring be found, the internal audit team will report the same to the Audit Committee in timely manner.

Based on the aforementioned implementation of internal policies and risk management policies, the Directors are of the view that the Group's has adequate and effective internal control procedures in place.

The Group's management will continuously monitor and improve the procedures at least once per year to ensure that the effective operation of its risk management and internal control measures is in line with the growth of its business and good corporate governance practice.

INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company takes seriously of its obligations under Part XIVA of the SFO and the Listing Rules. The Company has adopted a continuous disclosure compliance policy which sets out guidelines and procedures to the Directors and officers of the Group to ensure inside information of the Group is to be disseminated to the public in equal and timely manner.

Each business unit is responsible for monitoring any potential inside information within its operations. If there is any potential inside information, such information will be escalated to the senior management and the company secretary of the Company so that an assessment will be made as to whether an announcement will need to be made. If an announcement will be made including considering whether any safe harbour is available under the SFO, such announcement will be made by the Company on timely basis to enable the public, namely Shareholders, potential investors and other stakeholders of the Company, to assess such information. All inside information is kept strictly confidential and is restricted to relevant parties on a need-to-know basis to ensure confidentiality until disclosure has been made to the public by way of an announcement.

Whistleblowing and anti-corruption policies

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees and business partners to raise concerns, in confidence and anonymity, to the Audit Committee and the Board about possible improprieties relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

The Company has also established an anti-corruption policy and system to promote and support anti-corruption laws and regulations. The anti-corruption policy sets out the basic standard of conduct which applies to all directors and employees of the Company. It also provides guidance on accepting advantages and handling conflicts of interest.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the Company must appoint, as its company secretary, an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers (i) a member of The Hong Kong Chartered Governance Institute; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)) to be acceptable academic or professional qualifications. In assessing "relevant experience", the Stock Exchange will consider the individual's (i) length of employment with the issuer and other issuers and the roles he/she played; (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (iv) professional qualifications in other jurisdictions.

Mr. Liu Xing and Mr. Wong Wai Chiu (as an associate director of SWCS Corporate Services Group (Hong Kong) Limited, an external services provider) have been appointed as the Company's joint company secretaries. Mr. Wong Wai Chiu's primary contact person of the Company is Mr. Liu Xing, one of the joint company secretaries.

Mr. Liu Xing is experienced in finance and accounting and has a thorough understanding of the operation of the Group as he joined the Group in August 2014. However, Mr. Liu does not possess any of the qualifications as stipulated in Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company also appointed Mr. Wong Wai Chiu, who meets the requirements under Rules 3.27 and 8.17 of the Listing Rules to act as another joint company secretary and to provide assistance to Mr. Liu Xing for a period of three years commencing from the Listing Date so as to fully comply with the requirements set out under Rules 3.28 and 8.17 of the Listing Rules.

The joint company secretaries attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2022 to update their skills and knowledge. All Directors have access to the joint company secretaries' advices and services.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Communications with Shareholders

The Company is committed to pursue active dialogue with the Shareholders as well as to provide timely disclosure of information concerning the Company's material developments to its Shareholders, investors and other stakeholders.

The annual general meeting of the Company serves as an effective forum for communication between the Shareholders and the Board. Notice of annual general meeting together with the meeting materials will be despatched to all Shareholders not less than 20 business days before the annual general meeting. As one of the measures to safeguard the Shareholders' interests and rights, separate resolutions will be proposed at general meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. In addition, the Company regards annual general meeting as an important event, and all Directors, Supervisors, the chairman of the Board Committees, senior management and external auditor will attend the annual general meeting of the Company to address the Shareholders' inquiries (if any). If the Chairman or the chairman of each Board Committee fail to attend the meeting, then other members of each Board Committee will be invited to attend the annual general meeting and answer the Shareholders' inquiries. All resolutions proposed at general meetings will be voted on by poll. The voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dowellservice.com) on the same day of the relevant general meetings.

To promote effective communication, the Company maintains a website (www.dowellservice.com), where the latest information and updates on its business operation and development, corporate governance practice, contact information of investor relations and other information are published for the public's access.

The Board has reviewed the implementation of the Shareholders' communication policy of the Company. Taking into account the variety of existing channels for communication and participation, the Company is of the view that its Shareholders' communication policy was effective during the year ended 31 December 2022.

The Company will continuously review the abovementioned shareholder communication policy to ensure its continued effectiveness.

Procedures for Shareholder(s) to convene an extraordinary general meeting ("EGM")

The following procedures for Shareholders to convene an EGM are prepared in accordance with the Articles of Association:

(1) Any one or more Shareholders (the "**Requisitionist(s)**") holding, at the date of deposit of the requisition, 10% or more of the Shares, severally or jointly, carrying the right of voting at the general meetings shall have the right, by one or several written requests of the same format and content, to require an EGM or class meeting to be called by the Board for the transaction or any business specified in such requisition. The written requisition should be sent to the Company's principal place of business at 4th Floor, Hall E, Dongyuan 1891, Nan'an District, Chongqing, the PRC. The Board shall give a written reply on whether or not it agrees to convene such EGM or class meeting within 10 days upon receipt of the aforementioned written request. The aforementioned number of Shares shall be calculated in accordance with the Shares held on the day on which the written request is made by the Requisitionist(s).

(2) Where the Board agrees to hold the EGM or classing meeting, it shall serve a notice of such meeting within five days after the resolution of the Board, give notice of the convening of a general meeting. If the Board does not agree to convene the EGM or class meeting or fails to reply within 10 days after receiving the aforementioned written request, the Requisitionist(s) making the request may request the Supervisory Board to convene an EGM or a class meeting.

(3) If the Supervisory Board fails to agrees to convene the EGM or classing meeting, it shall service a notice of such meeting within five days receipt of the aforementioned written request. In the event of any change to the original proposal set out in the notice, the consent from the Requisitionist(s) shall be obtained. If the Supervisory Board fails to serve the notice of EGM or classing meeting within the prescribed period, the Requisitionist(s) for more than 90 consecutive days may convene and preside over the meeting by themselves.

Procedures for Shareholder(s) to put forward proposals at a general meeting

Shareholder(s) holding three (3) per cent or more of the Shares, individually or in aggregate, shall have the right to put forward ad hoc written proposals (the "**Proposal**") 10 days before a general meeting. The Board shall, within two days upon receipt of such Proposal, issue a supplemental notice of general meeting and subject the Proposal to the general meeting for consideration. The contents of the Proposal shall fall within the scope of responsibilities of the general meeting and shall have clear topics and specific resolutions.

Procedures for directing Shareholder's enquiries to the Board

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations, whose contact details are as follows:

Address: 4th Floor, Hall E, Dongyuan 1891, Nan'an District, Chongqing, the PRC

Email: ir@dowellservice.com

Communication with Shareholders and investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company meets the Shareholders at the annual general meeting, publishes interim and annual reports of the Company's website (http://www.dowellservice.com) and the Stock Exchange's website (http://www.hkexnews.hk), and releases press releases on the Company's website to keep the Shareholders and potential investors abreast the Group's business and development.

Articles of Association

In preparation for Listing, the Company adopted the Articles of Association, which became effective on the Listing Date (i.e. 29 April 2022).

References are made to the announcement of the Company dated 23 May 2022, in relation to, among others, the partial exercise of the over-allotment option, and the circular of the Company dated 30 May 2022, in relation to, among others, the proposed change of registered capital of the Company and the proposed amendments to the Articles of Association ("**30 May 2022 Circular**"). On 20 May 2022, the Sole Global Coordinator (on behalf of the International Underwriters) (as defined in the Prospectus) partially exercised the Over-allotment Option (as defined in the Prospectus). Accordingly, an aggregate of 324,200 H Shares were allotted and issued by the Company. As there was an increase in the number of Shares, on 28 June 2022, the Shareholders considered and approved the Proposed Amendments (as described in the 30 May 2022 Circular) to the Articles of Association.

Save as disclosed above, there has not been any other changes to the Articles of Association during the Reporting Period. An up-to-date version of the Articles of Association is also available on the Company's website (http://www.dowellservice.com) and the Stock Exchange's website (http://www.hkexnews.hk).

DIVIDEND POLICY

The Company has adopted a dividend policy in 2023 (the "**Dividend Policy**"). Pursuant to the Dividend Policy, the Company should maintain sufficient cash reserves to meet the demand for funds, future growth and its equity value when recommending or declaring dividends. In addition to the declaration of dividends, the Board should also take into account of the financial performance, cash flow position, business status and strategy, future operation and income, capital demand and expense plan, Shareholders' benefits, limits on the dividend declaration and any other factors the Board may consider to be relevant. According to the Articles of Association, dividends will be denominated and declared in RMB. Dividends on (i) Domestic Shares will be paid in RMB; (ii) H Shares will be paid in HK dollars; and (iii) Unlisted Foreign Shares will be paid in currencies other than RMB. The relevant exchange rate will be calculated based on the average exchange rate of RMB against HK dollars or USD as announced by the People's Bank of China seven days prior to the date of the AGM at which the dividend declaration was approved.

No dividend shall be declared or payable except out of profits and reserves lawfully available for distribution. The Company is permitted to pay dividends only out of the Company's retained earnings, if any, as determined in accordance with applicable PRC accounting standards and regulations. Under PRC law, the Company is required to set aside 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of the registered capital of the Company. The statutory reserve funds are not distributable as cash dividends. The Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

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

Hong Kong, 30 March 2023

* *For identification purposes only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Introduction

DOWELL SERVICE GROUP CO. LIMITED*（東原仁知城市運營服務集團股份有限公司）(referred to as the "DOWELL" or the "Company", and together with its subsidiaries, the "Group" or "we") is pleased to publish its second Environmental, Social and Governance (referred to as the "ESG") Report (referred to as the "Report"), with an intention to provide a disclosure of the Group's management practices and performance in the ESG field throughout 2022.

Reporting Standards and Principles

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (referred to as the "Guide") in Appendix 27 to the Rules Governing the Listing of Securities on Main Board of the Stock Exchange of Hong Kong Limited (referred to as the "HKEX"). The Company upholds the disclosure principles set out in the Guide, reports on the "comply or explain" provisions set out in the Guide, and follows the four reporting principles of materiality, quantitative, balance and consistency.

Materiality:	The Report has identified material ESG factors and disclosed the process to identify and the criteria for the selection of material ESG factors and the process and results of stakeholder engagement.
Quantitative:	The standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions, are described in the notes to the Report.
Balance:	The Report provides an unbiased picture of the Group's performance and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.
Consistency:	Consistent statistical methodologies are used for information disclosure in the Report. Any changes will be clearly stated in the Report.

Reporting Period and Boundary

The Report covers the period from 1 January 2022 to 31 December 2022 (referred to as the "Reporting Period" or the "Year").

Unless otherwise stated, the Report covers businesses directly controlled by DOWELL; environmental key performance indicators (KPIs) in the Report cover the headquarters office as well as Eastern China, Central China, Western China, and Southwestern China, while social KPIs cover the entire Group.

[1] The Group changes the scope of environmental KPIs to cover the headquarters office and four major regions directly under the Company, which is under the coordinated management of the headquarters office.

Reporting Language

The Report is published in both Chinese and English. In the event of any discrepancies, the Chinese version shall prevail.

Approval and Confirmation

The board of directors of the Company (referred to as the "Board") assumes full responsibility for the content of the Report and approved and confirmed the content of the Report on 30 March 2023.

Publication

You can view the Environmental, Social and Governance Report 2022 on "Disclosure" under "Investor Relations" on the website of the Company (www.dowellservice.com) or on the HKEXnews website (www.hkexnews.hk).

Contact us

We attach great importance to your comments and suggestions on the Report, and welcome you to contact us by email (Email address: ir@dowellservice.com).

2. ABOUT DOWELL

2.1 Company Profile

The Company was established in 2003 and was listed on the HKEX in 2022. As at 31 December 2022, DOWELL, as a property management service provider, mainly operated in cities in southwestern and eastern China, covering 60 cities including Beijing, Guilin, Chongqing, Suzhou, Wuhan, Chengdu, and Shanghai, and had 482 property projects under management, with the provision of diversified property management services for different properties, such as residential buildings, office buildings, industrial parks, hospitals, and schools.

2.2 Company Mission

DOWELL aims to grow into a respected urban regeneration service provider with unique business value under the service concept of "For Every Moment of Peace of Mind" and the tenet of "pursuing long-term development with equal emphasis on quality and scale". The Company continuously upholds the values of simplicity and reliability, customer orientation, pursuit for excellence, and mutual achievement. With focus on the life-cycle needs of people and cities, it continuously upgrades service quality to satisfy customers and provides detailed, thorough, considerate and efficient property management services and value-added services to diversified customers. In the meantime, we have always taken social and public well-being as our own responsibility, keep looking for a model of fulfilling social responsibility that organically combines core competitiveness with meeting social needs in the process of development, insist on carrying out public welfare activities regarding poverty alleviation and community care, and actively undertake corporate social responsibility (CSR).

2.3 Honours and Awards

We have been committed to providing quality residential and non-residential property management services, along with a wide range of diversified solutions, to meet the needs of various customers. By virtue of our outstanding service quality, we have earned the trust and high recognition of customers and won a large array of property service honours and awards in the industry, which in turn drives us to continuously improve our service quality and make innovation as needed by customers. In the future, we will continue to uphold the customer-centric service philosophy and provide superior property management services to our customers. Below are the major honours and awards we received in 2022:

Honours and awards	Awarding entities
Rank the 18th among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業TOP18)	Information Technology Research Institute of Beijing China Index Academy（北京中指信息技術研究院）
2022 Model Companies of Hospital Property Management in China (2022中國醫院物業管理優秀企業)	Information Technology Research Institute of Beijing China Index Academy（北京中指信息技術研究院）
2022 Top 10 Property Service Companies in Terms of Comprehensive Strength in Chongqing (2022重慶市物業服務企業綜合實力TOP10)	Information Technology Research Institute of Beijing China Index Academy（北京中指信息技術研究院）
2022 Leading Brands Engaged in Specialised Operation of Property Services in China (2022中國物業服務專業化運營領先品牌企業）	Information Technology Research Institute of Beijing China Index Academy（北京中指信息技術研究院）
2022 Featured Brands of Property Services in China — GSN: a high-end foreign enterprise service provider and DOWELL Shengkang: a medical logistics service provider (2022中國物業服務特色品牌企業-高端外企服務GSN、醫療大後勤服務東原盛康）	Information Technology Research Institute of Beijing China Index Academy（北京中指信息技術研究院）
2022 Top 50 Property Service Companies in Western China (2022中國西部物業服務50強企業)	Information Technology Research Institute of Beijing China Index Academy（北京中指信息技術研究院）
2022 Top 10 Property Service Companies in Chongqing (2022重慶市物業服務10強企業)	Information Technology Research Institute of Beijing China Index Academy (北京中指信息技術研究院)
2022 Top 30 Property Management Companies in China in Terms of Digital Strength (2022中國物業企業數字力TOP30)	CRIC Property Management（克而瑞）
2022 Top 30 Property Management Companies in China in Terms of Super Service Power (2022中國物業超級服務力TOP30)	EH Consulting（億翰智庫）
2022 Top 100 Property Management Companies in Eastern China in Terms of Service Power (2022中國物業服務華東區域服務力領先企業TOP 100)	EH Consulting（億翰智庫）
Excellent Service Company of the Year 2022 (2022年度卓越服務企業)	China Times（華夏時報）
2022 Top 20 Property Service Brands in Southwestern China（2022中國物業服務西南品牌企業TOP20）	CRIC Property Management（克而瑞） and China Property Management Research Institution（中物研協）
Outstanding Property Management Companies in Chongqing for 2021–2022（2021–2022年度重慶優秀物業管理單位評選(優秀物業企業)）	Chongqing Daily（重慶日報）

3. SUSTAINABLE DEVELOPMENT STRATEGY

3.1 Board Statement

The Group regards ESG management as an important part of its day-to-day business and management activities. To date, we have established a robust ESG governance framework. The Board, as the leadership of ESG management, takes full responsibility for ESG strategy and reporting. During the Year, the Board supervised ESG matters across the Group and regularly discussed, reviewed, and approved the Group's ESG management approaches and strategies as well as risk management plans, including the identification and prioritisation of key ESG issues, the management of key ESG-related matters, and the monitoring of targets, commitments and actual performance. Besides, we reviewed the directional environmental targets set last year, finding they could demonstrate the effects achieved by the Group's ESG policies and management approaches. Looking ahead, we will keep seeking opportunities to improve our ESG performance in the future.

3.2 ESG Governance Structure

The Group has established an ESG governance structure consisting of the Board, the ESG working group, and relevant departments. The Board, as the top leadership, is responsible for overseeing the ESG-related matters of the Group. Specifically, it takes charge of the overall ESG governance across the Group, reviewing the ESG performance, structure and strategies, examining and ensuring that the Group has an appropriate and effective system for ESG risk management and internal control in place, and deliberating and approving ESG reports. Through the ESG governance structure, we can integrate ESG concepts into our management approaches, strategies, business plans, and policies. The ESG governance structure covers all levels of the Group, including the decision-making level, the organisational level, and the executive level, all of which are assigned with clearly-defined responsibilities.

The following is the Group's ESG governance structure and the roles and main responsibilities of each level:

Decision-making level: Board	• Taking overall responsibility for ESG strategy and reporting; • Deciding and approving the ESG management approaches, strategies, objectives, and annual tasks of the Group, including assessment, prioritisation and management of material ESG issues, risks and opportunities; and • Approving the content of the annual ESG report.
Organisational level: (ESG working group) Senior management, Office of the Board, representatives of relevant departments of the Group (e.g. heads of Risk Management Centre, Human Resources Centre, Operational Quality Centre, General Manager Office, Information Management Centre, and Investment Expansion Centre)	• Reporting to the Board regularly; • Identifying, assessing, reviewing and managing material ESG issues, risks, and opportunities; and • Formulating ESG management approaches, strategies, annual tasks, and objectives for approval by the Board, and promoting the implementation of relevant tasks.
Executive level: ESG-related departments of the Group (Risk Management Centre, Human Resources Centre, Operational Quality Centre, General Manager Office, Information Management Centre, and Investment Expansion Centre)	• Organising and executing the ESG-related work according to the Group's ESG management approaches, strategies, annual tasks and objectives, and division of labour; • Following various ESG-related policies and systems; and • Reporting to the ESG working group on a regular basis.

ESG Governance Structure

3.3 STAKEHOLDER ENGAGEMENT

Maintaining close communication with stakeholders is an important way for us to achieve our sustainability goals. We actively engage with our stakeholders to fully understand their requirements and views, which include customers, shareholders/investors, employees, business partners, regulatory authorities, community/non-government groups, peers, suppliers, and external legal advisors. We communicate with stakeholders through a variety of channels to get informed of and respond to their concerns in a timely manner, enhance mutual trust between two sides, and on this basis optimise the Group's sustainable development strategies and plans continuously. The table below summarises our communication with major stakeholders during the Reporting Period.

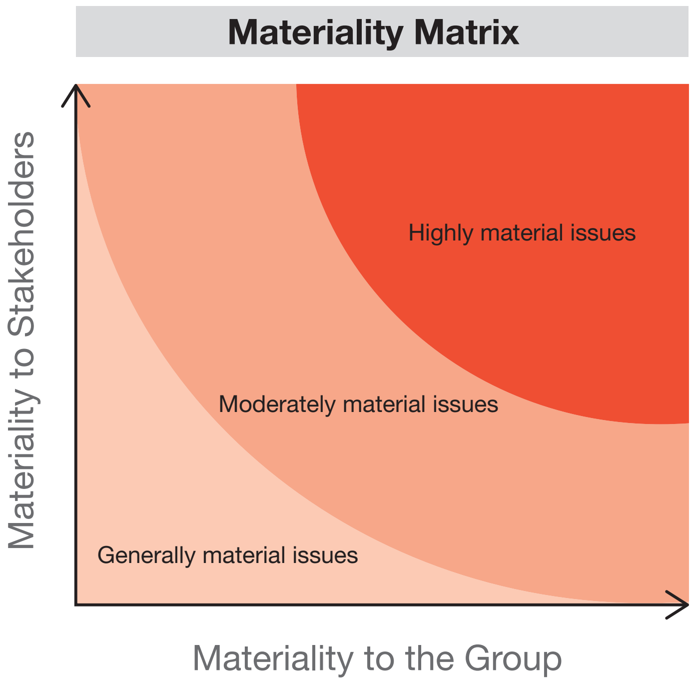
Major stakeholders	Main concerns/expectations	Main communication channels
Customers	• Customer privacy protection • Service quality • Health and safety of products and services	• Customer satisfaction survey and comment form • Customer advisory group • Customer Service Centre • Visits by customer relationship manager • Daily operation/communication • Online service platform • Phone/email
Shareholders/ investors	• Economic performance • Risk management • Compliance with laws and regulations	• Annual general meeting and other general meetings • Interim reports and annual reports • Corporate communications such as letters/circulars to shareholders and notices of meetings • Results announcement • Shareholders' visits • Investor meetings • Senior management meetings • Meetings and interviews
Employees	• Employees' rights and interests • Employee health and safety	• Employee opinion survey • Performance appraisal • Meetings and interviews • Business briefings • Special advisory committee/panel • Seminars/workshops/lectures

Major stakeholders	Main concerns/expectations	Main communication channels
	• Provision of competitive compensation and incentive system • Optimisation of the training and development system • Employment relations and employee communication	• Publications (e.g. employee newsletters) • Employee communication conferences • Employee intranet
Business partners	• Intellectual property protection • Response to policies and participation in industry exchanges • Business ethics • Information security	• Reports • Meetings • Visits
Regulatory authorities	• Compliance with laws and regulations • Prevention of corruption risks • Information security	• Meetings • Written response to public consultation • Compliance reports
Community/non-governmental organisations	• Participation in charity and volunteer activities	• Volunteer activities • Community activities • Seminars/lectures/workshops
Peers	• Response to policies and participation in industry exchanges	• Strategic cooperation projects • Communication conferences
Suppliers	• Supply chain management	• Supplier management programme • Supplier/contractor evaluation system • Meetings • Site visits
External legal advisors	• Compliant employment	• Working groups

3.4 MATERIALITY ASSESSMENT

The material issues identified in 2021 are still applicable in 2022 by taking into account the mutual importance and impact of each ESG issue on stakeholders, as there has been no significant change in the Group's strategic direction and business development in the Year. The Group conducted a materiality assessment in 2021. In the assessment, we identified 24 material issues applicable to our businesses, including 14 highly material issues, 7 moderately material issues, and 3 generally material issues, with reference to the disclosure obligations set out in the Guide and the library of materiality issues of the Sustainability Accounting Standards Board (SASB). According to the importance of these issues, we made different levels of key disclosures in the Report, and took them as important considerations when formulating ESG strategies and policies.

The following material ESG issues have been approved and confirmed by the Board.



Material ESG issues	Material issues
Highly material	Product and service quality
	Customer satisfaction
	Compliant employment
	Customer privacy protection
	Prevention of corruption risks
	Intellectual property protection
	Employees' rights and interests
	Provision of competitive compensation and incentive system
	Optimisation of the training and development system
	Employee health and safety
	Greenhouse Gas (GHG) emissions and management
	Waste management
	Water resources management
	Energy management
Moderately material	Responsible marketing
	Health and safety of products and services
	Supply chain management
	Business ethics
	Employment relations and employee communication
	Participation in charity and volunteer activities
	Promoting the development of intelligent property services
Generally material	Response to policies and participation in industry exchanges
	Product design and lifecycle management
	Climate change

4. CUSTOMER FIRST

4.1 Quality Service

The Group has put in place the Quality Control System, which aims to standardise quality management mechanisms at all levels and to ensure quality property management service and monitoring activities can be carried out properly. We have set up the quality management working group, which is responsible for managing and conducting quality supervision practices. The quality departments of the Group and regional companies are responsible for the maintenance, monitoring and assessment of the quality supervision and control system. The quality management group also oversees the implementation of external monitoring methods and quality management systems. There are designated persons in charge of the operations of quality control systems and external supervision indicators, as well as the formulation of quality supervision plans, programmes and safeguards at both regional and project levels. The quality control system is divided into quality control planning and quality inspection. Quality control planning covers many aspects of content, such as directions, objectives, strategies, achievement paths, guarantee plans, and cost budgets with respect to annual quality control, with a view to ensuring that quality objectives can be effectively achieved. Quality inspection involves the annual integrated quality inspection plan, specialised quality inspection plans, and specialised inspection plans, aiming to reach the standards set by the quality control programmes through inspection. Meanwhile, according to the annual work plan for quality assurance at the regional level, project leaders also need to develop project-level implementation plans for satisfaction assurance. These steps have set out the responsibilities and tasks of quality control at all levels and made quality control a more standardised and science-based process, capable of better improving the quality of products and services and maintaining customer trust.

We strictly abide by laws and regulations such as the Urban Real Estate Management Law of the People's Republic of China and the Regulations on Property Management. The Operational Quality Centre of the Group is responsible for developing quality inspection standards and templates, which are distributed to regional companies for implementation. We organise group-level quality analysis meetings on a regular basis to analyse quality matters and put forth requirements for improvement. The centre quarterly inspects how regional companies implement their quality inspection plans and generate inspection reports. The operational quality department of a region is responsible for approving the Annual Quality Supervision and Inspection Plan for review by the Group and examining the satisfaction improvement plans submitted by projects in the region to facilitate the continuous enhancement of service quality.

We have established the Quality Red Line Management System to specify the requirements at all levels for controlling project quality, ensuring that on-site quality management services can meet relevant standards and requirements. In the implementation process, group-level and regional-level quality inspections should also consider whether the inspected projects have overstepped the quality red line, and if yes, they will be internally disclosed as typical cases of quality inspection. At the same time, project managers at all levels should include training and explanation of the content related to the quality red line in the quality analysis meetings and routine training sessions organised on a regular basis to help front-line operational staff identify and resolve red line-related activities and processes in a timely manner. By implementing the Quality Red Line Management System, we could improve our quality management services and ensure the achievement of quality assurance objectives.

The Group upholds the customer-oriented service tenet and always makes customer satisfaction our priority. To regulate the behaviour and etiquette of staff members in all projects under our jurisdiction, we have established the Service Etiquette Standard, which aims at standardising employee behaviour and etiquette to give customers a good experience. Besides, the On-site Inspection Operation Guide has been formulated to regulate the daily and comprehensive on-site quality inspections conducted by service centres, thus providing quality assurance for project sites under the jurisdiction of the Group. These inspections include routine and regular inspections, daily inspections by butlers, and weekly inspections during the peak period of resident activities. In the meantime, we convene monthly quality analysis meetings to summarise the results of monthly inspections, analyse common and key problems, report on the completion of tasks, and specify the division of labour and time limits for the rectification of pronounced issues. Inspections are carried out at various locations and any issues identified should be recorded in the quality control system and dealt with by the professional personnel in charge.

4.2 Customer Communication

To ensure that customer complaints are dealt with promptly and effectively and that adverse impacts can be minimised without compromising customer satisfaction, we have established the Complaints Management System. The persons responsible for taking complaints try to understand the needs of customers and respond in the right manner. All details of a complaint are recorded for future reference, including contact information, and a commitment is made to feed back the results of investigation to the customer concerned as soon as possible. Complaint management is overseen by the quality control department of each regional company, with the immediate supervisor of the affected party taking charge of the investigation, communication, response and improvement processes.

We keep a clear record of customer complaints. To this end, we have opened a complaint hotline, which must be answered by the designated staff members through a complaint management system with recording function. Recordings must be kept for one year. Complaint handling staff will act on the Service Etiquette Code. They will give replies to the customers filing complaints within 24 hours and keep a record of the investigation process, suggested solutions, and the nature of a complaint in the complaint management system. The entire complaint handling process should be monitored and supervised in the system.

When a customer complaint is resolved, the outcome will be recorded in the complaint management system, and the case must then be analysed and submitted as a case study. The Complaint Management System ensures that customer complaints are dealt with effectively and that any negative impact can be minimised without compromising customer satisfaction. The system involves clear channels of accountability and communication, regular monitoring and oversight, and commitments to continued improvement.

During the Year, the Group received a total of 396 complaints about its services and products, all of which were properly handled.

5. ROBUST OPERATIONS

5.1 Protection of Information Security

To safeguard information security, the Group complies with the relevant laws and regulations, including the Administrative Measures on Internet Information Services and the Regulations on the Administration of Mobile Internet Application Programme Information Services, while having formulated the Information System Operation and Maintenance Management Code to provide guidance and direction for the maintenance and operation of related systems after their launch. This internal document outlines the responsibilities of the Information Management Centre, which include providing technical support for software and Information technology (IT) - related issues, as well as offering training to IT engineers from regional companies. The purposes of this document are set to provide timely feedback and important advice for system optimisation and iteration, offer technical support for network and IT-related issues across the organisation, ensure that systems run smoothly and efficiently, and render users with the support they need to achieve desired results. Meanwhile, we maintain stability and provide assurance to our customers in terms of information management, which involves the management of server passwords, vulnerabilities, viruses, and server failures in day-to-day operation and maintenance activities. Besides, we also change passwords at fixed intervals of time, conduct regular inspections, and eliminate vulnerabilities and threats in a timely manner.

Given the types of employees and requirements for information security management, the Group, in the Information Security Management System categorized related personnel for differentiated management, including contract staff, non-contract staff, agreement staff, and staff dispatched by joint venture parties/partners. We require employees to abide by national laws and regulations, strictly enforce the confidentiality system, and refrain from carrying out any illegal and criminal activities such as endangering national security and leaking state secrets, producing, browsing, copying or disseminating reactionary and pornographic information and other content on the Internet, and conducting any hacking activities online. In the meantime, we strictly control and prevent the intrusion of computer viruses. An example in this field is the daily code of conduct, which stipulates that employees are not allowed to externally transmit company data or download, store, and back up company information through non-company equipment. Moreover, employees are prohibited from uploading company information/data to the Internet or from taking acts that may lead to the leakage of the Group's confidential information. With respect to the management of data security risk, our technical requirements for security management in terms of organisational responsibility, security processes, system security management, data sharing management, partner control, security audit, disaster recovery, etc. apply to all types of information/data, including customer information systems and non-customer application systems as well as operations conducted by internal organisations using the data of the Group and operational operations carried out with external partners. In short, we establish a security responsibility system, strengthen the categorised and graded management of data security, encrypt and back up data, and strictly control data sharing to ensure data security.

Protection of Personal Data

To protect users' personal information, we have established the Information Security Management System in accordance with the pertinent laws such as the Cyber Security Law of the People's Republic of China (PRC). This internal document outlines specific measures regarding the collection and utilisation of user information. To be specific, we have laid down the privacy policy of the Group and the rules for collecting and using personal information in our applications, and provide users with easy access to their personal information. Meanwhile, we shall clearly disclose the purpose, manner, and scope of personal information collected, including any third party involvement. We shall inform users of any changes in the purpose, manner, and scope of personal information collected and obtain their consent before collecting any sensitive personal information. Users must expressly consent to the collection of their personal information. The Group shall neither collect more personal information than is necessary for the functionality of an application nor share user data with third-party applications without consent. In addition, we allow users to delete or correct their personal information according to the law. Furthermore, we establish and announce channels for complaints and reports on the security of personal information, while taking and handling complaints and reports from users within the promised timeframe.

During the Year, there was no personal data leakage or related lawsuit against the Group.

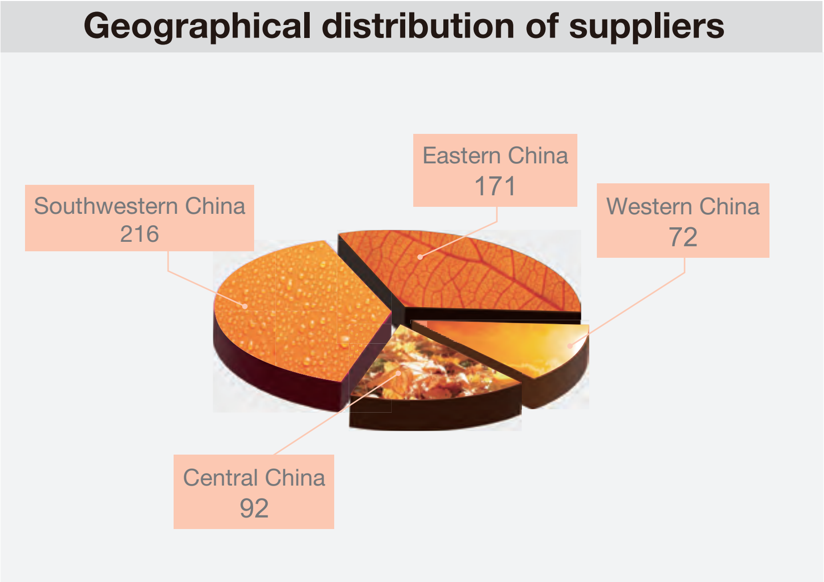
Responsible Marketing

To regulate the release of information, we have established a number of internal documents, including the Document Management System, the Media Relations Management System, and the Brand Database Management System to strictly manage and monitor the information published by internal organisations and ensure the accuracy and consistency of such information, thus maintaining our brand value. The Brand Management Department is responsible for establishing and maintaining the Group's brand database, so that all other departments can promptly access accurate information, including group/regional profiles, product/brand profiles, brochures, and honours/awards. At the same time, all of our publicly available data are backed up and updated regularly, and brand inspections are conducted for the stored data to ensure accuracy.

During the Year, there was no disputes related to advertising and information promotion brought against the Group.

5.2 Supplier Management

The Group's procurement mainly involves property management services, including cleaning, security, landscaping, repair or maintenance services. During the Year, we appointed a total of 551 suppliers. The number of suppliers by geographical region is as follows:



The Group has established the Procurement Management System, which regulates the bidding and procurement practices including procurement methods, bidding procedures, contract management, and supplier pool management, to establish standardised and uniform principles and processes for the selection of suppliers in procurement, a prerequisite for improving efficiency, assuring quality, and reducing risks. Key principles such as supplier integrity, fairness, and transparency are included in the internal document, which provides clear guidelines for the procurement process to realise effective and ethical procurement management.

Our procurement strategy is mostly about project bidding, and direct commissioning comes after certain conditions are met. The procurement process is managed by different units such as the procurement management group, the procurement leadership group, the procurement working group, and the evaluation committee. A pre-bid meeting is held to nail down the procurement requirements and the bid evaluation committee reviews the bids fairly according to predetermined criteria and methods. Supplier performance appraisal is conducted regularly to ensure that suppliers meet the Group's criteria and that all suppliers are selected from the list of qualified suppliers upon approval. Supplier performance is assessed given objective criteria such as qualifications, size, capability, and quality. Suppliers who score low may be restricted or blacklisted, while those found with quality issues or exerting a negative impact on the Group's reputation may be downgraded or eliminated. We have established an online procurement system that could monitor supplier information and related legal risks, and evaluate and oversee all suppliers on an annual basis.

We identify the environmental and social risks of suppliers. With emphasis placed on supplier integrity, the Group signs the Integrity Partnership Agreement with each supplier, when business relations are established. The Integrity Cooperation Agreement is a code of conduct for all business partners to maintain a fair and ethical work culture in all aspects of cooperation, prevent abuse of power for personal gain, and propel sound business development. Besides, the agreement also provides for a reporting and non-compliance handling mechanism to investigate and deal with violations. In severe cases, the persons concerned shall be subject to public reprimands and assume legal responsibilities. We have implemented green procurement to ensure that all products and services procured can comply with the pertinent environmental laws, regulations, and requirements. In the meantime, we strive to reduce the environmental impact and conserve natural resources in our procurement activities. As long as it makes economic sense, we choose environmentally preferable products or services in order to mitigate any adverse impact on the environment or human health. In addition, we have progressively introduced green product specifications into our existing procurement practices, actively seeking and considering eco-friendly suppliers who share our commitment to sustainable development. By prioritising green procurement, the Group will closely monitor suppliers' performance in environmental, social, and compliant operations so as to create a sustainable future.

5.3 Integrity in Operations

We strictly comply with anti-money laundering (AML) laws and regulations such as the Anti-Money Laundering Law of the PRC, the Company Law of the PRC as well as various integrity operating systems such as AML, internal audit, and conflict of interest. During the Year, we provided employees with training on anti-corruption measures, clean operation guidelines, monitoring and reporting channels, and case studies. New employees are required to read the Standards on Eight Prohibited Conducts and attend relevant training. Directors are required to sign the Conflict of Interest Statement to ensure that they can abide by laws and regulations on anti-corruption. We are still committed to promoting a culture of integrity and transparency in our operations.

The Group relies on the Standards on Eight Prohibited Conducts to establish a healthy and honest internal control environment and to articulate the professional bottom line requirements and disciplines for its employees. Employees are required to read and sign this document when they sign or renew their employment contracts. We reserve the right to terminate the employment relationship with any employee found to breach the relevant provisions of the standards, and even reserve the right to hold any employee who breaches the standards legally accountable, regardless of whether the Group suffers any loss. In the meantime, we have established the AML Management System to prevent money laundering activities and to maintain the normal operations of the Company. This internal document applies to the Group, regional companies, wholly-owned or controlled subsidiaries, and participating companies. Besides, we have established a number of measures to prevent money laundering activities related to drug trafficking, organised crime, terrorism, smuggling, corruption, financial fraud, and other criminal offences, setting out the responsibilities of the Risk Management Centre, business and financial management departments, and business units in combating AML practices. The Risk Management Centre is responsible for organising AML training within the Group. Employees should actively participate in AML training, understand the importance of the AML work, grasp the criteria for identifying suspicious transactions, and continuously boost their AML capabilities in daily work. The Risk Management Centre works with relevant departments to evaluate, monitor, and inspect the AML work done within the Group, regularly inspect the implementation of AML policies in various business processes and procedures to ensure the continuity and effectiveness of various control systems, and put forward management recommendations on the AML internal control system.

The Group also provides anti-corruption reporting channels, such as monitoring and reporting hotline, reporting email address, and correspondence address, so that stakeholders could report any internal or external acts of corruption and bribery. The Group undertakes to protect the personal data of all whistle-blowers and ensure that they won't receive any unfair treatment as a result of their whistle-blowing actions. Where reports of corruption received are substantiated, the persons concerned will be punished in accordance with the established internal policies, and, in severe cases, be referred to the judicial authorities.

During the Year, there was no legal case regarding corrupt practices brought against the Group or its employees.

5.4 Protection of Intellectual Property Rights

In strict accordance with the pertinent laws and regulations such as the Trademark Law of the PRC, the Patent Law of the PRC, the Copyright Law of the PRC, and the Measures for the Registration of Computer Software Copyrights, we have established the Intellectual Property Rights Management System, a sophisticated document, which provides guidelines for the exclusive use of trademarks and the management of copyrights and patents. We encourage innovation and compliance with relevant national laws and regulations. Intellectual property rights (IPRs) generally refer to assets such as trademarks, patents, copyrights, and trade secrets. The Brand Management Department is responsible for organising the design and registration of trademarks, while the Information Management Centre is responsible for the registration and management of computer software copyrights as well as rights on domain names and web addresses. Meanwhile, the Group also enters into contracts with third-party designers and partners to ensure that IPRs are clearly defined and vested in itself. All persons involved in the development and design of IPRs must maintain confidentiality until such IPRs are publicly disclosed or successfully registered.

Employees are required to sign the Confidentiality Agreement upon joining the Group to ensure that the confidential information and records relating to the management and operation activities of the Company or its customers are not used for private purposes or disclosed to persons other than those authorised by the Company. If an employee achieves any intellectual work in the Group's name or mainly using its resources, the right to own, the right to apply for a patent, and other rights all belong to the Group.

We have established a preview mechanism for trademark and patent registration applications to ensure effective management of IPRs. After a new application passes the preview assessment, the relevant departments will initiate an online approval process to prevent others from registering any IPR already used by the Group. When entrusting IPR registration to a professional organisation, we will sign a contract specifying the scope of work and filing date of the agent. Once an IPR is acquired, we will verify the authenticity of the right and sign a transfer agreement with the transferor and then submit an application for change of ownership to the Legal Department. If the registration application is rejected or objected to, the Legal Department will promptly notify the relevant departments and cooperate with them in finding an effective solution.

If any infringement or potential infringement of the Group's IPRs is identified during the course of operation, relevant leads and information should be promptly reported to the Risk Management Centre and legal staff, and the Legal Department will lead negotiations with the relevant business departments in order to develop countermeasures. In the event that any damage is caused to our IPRs as a result of infringement, compensation should be sought. Where leads to infringement are authenticated and related rights are successfully defended, rewards will be offered to the reporting employees.

6. TALENT VALUED

The Group adheres to fair and equitable employment principles and complies with the Labour Law of the PRC, the Labour Contract Law of the PRC, and other relevant laws and regulations. We aim to build a harmonious and inclusive working environment for employees, protect their rights and interests through various measures, attach great importance to their safety and health, and continuously increase the recruitment, reserve, and training of core personnel. We have prepared the Employee Handbook, which outlines the day-to-day office management and the code of conduct for employees, as well as their recruitment, dismissal, remuneration, promotion, working hours, leave, anti-discrimination, equal opportunities, and benefits. The Group adopts a people-oriented approach to protect the legitimate rights and interests of employees.

6.1 Recruitment

The Group has put in place a sound and transparent recruitment process and formulated the Recruitment and Hiring Management System to recruit talents that meet the needs of the Group's business development. The Group's Human Resources Centre is responsible for preparing the annual recruitment demand plan of the headquarters and reviewing the recruitment demand plans submitted by various business departments, while the Human Resources Department is responsible for organising the development of the annual recruitment demand plans by business departments and managing the recruitment of employees. Recruitment methods include internal referrals, campus recruitment, social recruitment, and recruitment through internal competition. During the Year, we introduced an internal referral platform to provide employees with precise recommendations. To establish a fair recruitment system, we adhere to the principle of recusal by recusing employees who are related to candidates from the recruitment process.

We have established strict compliance controls in relation to the relevant requirements of labour laws and require our suppliers to comply with such requirements. The Group complies with the pertinent laws and regulations such as the Regulations of the PRC on the Prohibition of Child Labour and the Law of the PRC on the Protection of Minors, and conducts background checks on employees, which includes verifying the identity of candidates and maintaining personnel files of all employees to review the authenticity of the documents provided by them, including copies of age documents and dates of induction. In the event of any false information, the Company reserves the right to terminate employment relations and to safeguard relevant rights. We encourage employees to complete their work on time. Employees who need to work overtime for special assignments or urgent matters shall submit a request to their supervisor in advance and obtain approval for overtime work. We will provide employees with a reasonable amount of overtime pay as allowances to ensure that their rights and interests are fully protected.

The Employee Handbook outlines a standardised process for separating employees from employment. The Human Resources Department conducts an exit interview with departing employees to understand their reasons for leaving and to agree on their final working dates and resignation procedures. Departing employees are required to fill in the Exit Form, hand over work to their successors, and return all company materials, documents, or equipment.

During the Year, the Group didn't violate any laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, leave, equal opportunity, diversity, anti-discrimination, or prevention of child labour or forced labour. Please refer to Appendix 1 for a summary of the sustainability of the employees of the Group.

6.2 Remuneration and Promotion

The Group is committed to providing employees with competitive and fair remuneration and benefits. We have formulated the Remuneration and Benefits System in accordance with the pertinent laws and regulations in China, such as the Social Insurance Law of the PRC, the Interim Regulations on the Collection and Payment of Social Insurance Premiums, the Regulation on Work-related Injury Insurance, and the Regulation on Unemployment Insurance. Our remuneration and benefits package is designed to attract and retain talent, while ensuring compliance with the pertinent labour laws.

We offer a diversity of remuneration and benefits to our employees. Regular salary surveys are conducted and systematic survey reports are produced to underpin the establishment and adjustment of the Group's remuneration system. Besides, regular salary reviews are also carried out, so that we could decide on salary increases considering many factors such as performance appraisal results, promotions, market conditions, and company operations. In addition to generous remuneration and benefits, our employees are entitled to various types of flexible leave, including annual leave, personal leave, wedding leave, maternity leave, bereavement leave, and time off in lieu (TOIL), helping them strike a work-life balance. Moreover, we regularly review and adjust our remuneration and benefits policies to ensure that they remain competitive and fair, providing a comprehensive remuneration and benefits package for employees.

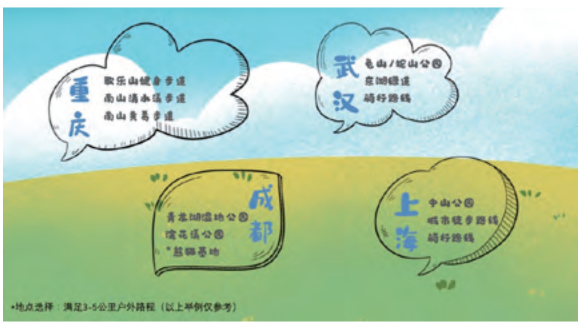
6.3 Training and Career Growth

The Group places great emphasis on talent development and encourages employees to keep learning and improve their skills through various training programmes. We provide a platform for employees to plan and develop their careers, and offer training and development opportunities to facilitate their growth. New employees are required to attend an induction programme, which briefs them on the culture, values and policies of the Company. In addition, we also provide comprehensive training programmes on management, finance, corporate culture, and staff development, as well as specialised training courses related to specific jobs. By offering such training opportunities, the Group ensures employees could better grow and develop to yield a win-win situation for both staff and the Company.

We have put in place a sophisticated talent development system to provide clear and structured career development opportunities for employees, which includes a science-based career assessment methodology to help employees design a well-defined career path and offer well-performing staff members excellent career development opportunities such as promotion and rotation. Employees can also make use of the Group's resources and platforms to spot their core strengths and career interests, and to set career goals with the assistance of their immediate supervisors and the Human Resources Department.

During the Year, the Group held a number of training activities, including the Golden YOU Butler Training Programme, the 20th Xingyuan Club, the Passing the Flame Programme (V2), and the Occupational Safety Training Session.

Pictures of training are as followed:



Summer training camp

Dream big, fly high

6.4 Health and Safety

With great importance attached to the health and well-being of its employees, the Group strictly complies with a number of national laws and regulations, including the Work Safety Law of the PRC, the Law on Prevention and Treatment of Occupational Diseases of the PRC, the Regulations on Supervision and Administration of Occupational Health in the Workplace, the Regulations of the PRC on Work-related Injury Insurance, and the Fire Prevention and Control Law of the PRC. We have developed the Guidelines for Safe Operations in Engineering Professions and taken a series of measures to protect the safety and health of our employees. For example, the Company conducts regular safety inspections of various work sites to ensure that the working environment meets safety standards. The aim of our occupational safety measures is to regulate the day-to-day behaviour of employees with respect to work safety, raise safety awareness among staff members, and conduct safety management of production activities. Safety measures adopted by the Group include training and certification for special operations, on-site safety education, posting of safety protocols and operating procedures in fixed and non-fixed work sites, and regular inspections of protective equipment to ensure reliability before use. All these steps are intended to prevent potential hazards and minimise risks, ensuring the safety of employees and the workplace.

We have the duty to create a safe and healthy working environment for employees and to provide them with the equipment and resources they need to get their work done safely without incurring accidents or causing damage to company property. In addition, unauthorised persons are not allowed to enter the workplace. Employees cannot bring any person unrelated to the work into the workplace without prior approval from the Company. Meanwhile, we have the right to ask some employees to leave or restrict their access to the workplace, such as employees under investigation, employees on leave, employees with mental or behavioural problems, or employees who are disruptive to the workplace. Caring for the health and well-being of employees, we arrange regular health check-ups for them to ensure that they are healthy and fit for work. We have policies and procedures in place to ensure the safety and health of employees while at work.

Fire safety is a common concern about occupational safety. We have established guidelines for the inspection of fire safety facilities to raise awareness of fire crises among staff effectively, and regularly inspect and maintain these facilities to ensure that they can operate properly and effectively. In doing so, the Group is committed to creating a safe and secure workplace for all employees. The Emergency Management Control Procedures for Operational Systems is a series of measures and steps that the Group takes when responding to emergencies so as to ensure that the entire organisation could deal with various emergencies and minimise the resulting damage quickly and effectively. In particular, the Annual Contingency Plan Drill and Training Programme constitutes an important part of the Group's emergency management. According to the requirements for emergency management, staff members will conduct drills and attend training courses on a regular basis to make sure that every post holder can better respond to and cope with emergencies. The training needs to cover the aspects set out in the contingency plan, with firefighting as a required item. At least two training sessions are required every year so that all staff members get familiar with the contingency plan and can respond to emergencies quickly and properly.

Regular emergency drills and training sessions enable us to respond swiftly in the event of an emergency, thus reducing potential losses and ensuring business continuity and organisational stability effectively. At the same time, the Group can better fulfil its social responsibility and protect the safety and interests of its employees.

Pandemic Prevention and Control

The Group takes initiatives to protect the health and safety of employees. In the face of the recurring COVID-19 outbreaks, we have put in place various measures to safeguard the health and well-being of staff members. These measures include providing personal protective equipment such as masks and disinfectants, social distancing, and encouraging remote work wherever possible. Meanwhile, we have also enhanced cleaning and hygiene measures in all our facilities and provided regular updates to our employees about COVID-19. Keenly aware of the importance of taking these measures to prevent the spread of coronavirus, we will continue to closely monitor the evolution of the pandemic and adapt our approach accordingly. Always valuing the health and safety of employees, the Company will prioritise their well-being during this challenging period of time. Moreover, we clean and disinfect key areas, including elevator halls and elevator cars, lobbies, fire exits, outdoor facilities, parking lots, offices, and toilets.

During the Reporting Period, the Group did not involve any complaint or litigation regarding the violation of health and safety laws. There were no cases of work-related fatalities in the past three years.

6.5 Caring for Employees

We place emphasis on staff activities to enhance the well-being of employees and promote teamwork in the workplace. Staff activities could not only help employees build friendship and mutual trust, but also enhance their sense of identity and belonging to the Company. By participating in such activities, employees will learn how to communicate and collaborate effectively, and feel less stressed, more motivated, and focused on their work.

7. COMMUNITY DEVELOPMENT

Community activities are an important way to foster a sense of belonging and promote cohesion within the community. We could provide opportunities for residents to come together and participate in activities that benefit the whole community, sending positive energy across society.

We have in recent years organised a number of eco-friendly community events in the Chongqing-based "Our Space" community, including the Chongqing DOWELL 1891 environmental activity in cooperation with Tesla, which allowed community residents to realise the importance of environmental awareness.

Chongqing DOWELL 1891 environmental activity

We have also organised many interesting activities in the Chongqing-based "Our Space" community, such as the Stargazing Camping Film Festival and the Summer Wave Making Project. These activities could not only give community residents great opportunities to participate in various sports and cultural activities, but also enhance interaction and communication among these residents. During the Year, we invested a total of RMB150,000 and held about 160 hours of community activities, with the participation of 43 employees.

Summer Wave Making Project

Stargazing Camping Film Festival

8. ENVIRONMENTAL PROTECTION

During the Reporting Period, the Group ensured environmental compliance in our business activities pursuant to the relevant laws and regulations such as the Environmental Protection Law of the PRC and the Law on the Prevention and Control of Atmospheric Pollution of the PRC and formulated specific measures to answer the Group's call for "increasing income and reducing expenditure to cut costs and increase efficiency". We have issued the Notice on Cost Reduction and Efficiency Enhancement in Administrative Control to optimise the management of daily administrative affairs for tight cost control and efficiency improvement. After obtaining the certification of the environmental management system (GB/T 24001–2016/ISO14001:2015), we have developed a series of specific measures to control costs and improve the efficiency of resource use in pursuit of an even better environmental performance. These measures cover a number of areas such as GHG emissions reduction, waste reduction, and energy and water conservation.

During the Year, we maintained and reviewed the environmental targets set last year[1]. We have adjusted the statistical scope[1] of the environmental area to cover our headquarters office and our operations in Eastern China, Central China, Western China, and Southwestern China, considering that the scope adopted in the previous year (i.e. top 10 subsidiaries by revenue contribution) may change every year and that the continued use of the previous year's scope would make the environmental target data not consistently comparable. This year, the environmental scope accounted for more than 75% of the Group's business revenue. We actively implement our systems and measures for reducing GHG emissions, reducing waste, saving energy and water, and so forth. We will maintain or gradually reduce GHG emission intensity, waste generation intensity, and electricity and water use intensity at similar operating levels in the future.

During the Reporting Period, the Group did not violate any laws and regulations related to environmental protection.

8.1 Emissions Management

We have always complied with the relevant laws and regulations, including the Law on the Prevention and Control of Water Pollution of the PRC and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC. We regularly monitor our discharges/emissions to ensure that they are within the limits set out by the applicable regulations. If any problems are identified, we will take prompt action to rectify them.

GHG Emissions

Concerned about GHG emissions, we consider it our responsibility to reduce such emissions. The Group is committed to cutting its carbon footprint and impact on the environment. Greenhouse gas (GHG) emissions are divided into direct emissions (Scope 1) and indirect emissions (Scope 2). Scope 1 refers to the GHG emissions directly generated from the sources that are owned or controlled by the Group, including emissions from stationary combustion sources and vehicles. Scope 2 refers to the GHG emissions indirectly generated by the Group's use of purchased electricity, i.e. electricity consumption during operations. In view of our businesses, we do not have stationary combustion sources or vehicles. So there are no GHG emissions from gas fuel consumption and vehicles. We are dedicated to reducing GHG emissions, cutting our carbon footprint and environmental impact, and contributing to sustainable development.

1 The scope of the environmental category in the previous year covered about 60% of the business income.

The Group's GHG emissions are mainly from office electricity use. The GHG emissions inventory is made by the Group with reference to the Greenhouse Gas Inventory Protocol developed by the World Resources Institute and World Business Council for Sustainable Development, as well as the ISO14064–1 standard set by the International Organisation for Standardization. For the Year, GHG emissions within the scope of the Report are as follows:

Greenhouse gas Emissions	Unit	2022
Direct emissions (Scope 1)	Tonne of CO_2e	118.30
GHG reductions from planting of new trees (Scope 1)	Tonne of CO_2e	57.43
Indirect emissions (Scope 2)	Tonne of CO_2e	45,582.97
Total GHG emissions (Scope 1 and Scope 2)	Tonne of CO_2e	45,643.84
GHG emissions intensity (area)	Tonne of CO_2e/m2 GFA in '000s	1.70
GHG emissions intensity (person)	Tonne of CO_2e/employee	8.69

8.2 Waste Management[2]

The Group is active in promoting a system of waste sorting and disposal management to protect the environment and reduce environmental risks. According to the Rules on Waste Disposal Management, an internal document of the Group, all wastes should be classified into recyclables and non-recyclables given the disposal methods and handed over to professional plants for disposal. In the meantime, the Human Resources Centre organises staff to learn knowledge about environmental protection, identify whether the waste generated by the Company is hazardous or not, compile the List of Waste Types Classified, and require functional centres to categorise and store waste according to the list.

In terms of waste sorting and disposal, each department should put the waste generated in work processes into separate waste bins as instructed in the List of Waste Types Classified for sorting and disposal. Waste that can be recycled should be placed in the waste area marked "recyclables", so that the Human Resources Centre can notify the relevant persons to collect and reuse the waste on a regular basis. Toxic and hazardous waste, such as used batteries, photocopier cartridges, and fluorescent tubes, should be sorted and stored by the Human Resources Centre and then handed over to a qualified agency for centralised disposal. Scrap equipment and metal parts generated from the maintenance of machinery and equipment should also be stored by the Human Resources Centre in a designated place and then handed over to recycling companies for disposal and reuse.

[2] The hazardous waste generated in the office operations of the Group is a small number of wastes and waste ink cartridges, which are recycled and reused by qualified recyclers, and have little impact on the environment. Therefore, KPI A1.3 (total hazardous waste produced) is not disclosed in the Report.

For the disposal of construction waste, outsourced construction waste is disposed of by qualified contractors who sign written agreements, and contractors are responsible for the environmentally sound disposal of building waste. All waste bins and baskets of the Group are emptied by cleaning staff in time to keep them clean and odour-free. As to the disposal of all types of waste, the Waste Disposal Record Form is prepared by the Human Resources Centre and retained for reference by the Company and relevant government departments. The Company will continue to strengthen the supervision of waste disposal management to promote environmental protection and sustainable development. During the Year, the relevant waste generation figures are as follows:

Waste generation	Unit	2022
Non-hazardous waste generated[3]	kg	14,777.00
Non-hazardous waste generation intensity	kg/employee	2.81

3 The non-hazardous waste generated by the Group is estimated based on day-to-day operations.

8.3 Resource Conservation

We are committed to seeking a more eco-friendly and efficient mode of operation. The Group strictly complies with relevant laws and regulations, including the Energy Conservation Law of the PRC and the Regulations on Management of Urban Water Conservation, while actively implementing the measures to save energy and reduce consumption. We have developed the Group-wide Initiative for Energy Conservation and Consumption Reduction, the List of Energy Conservation and Consumption Reduction Measures, and the Office Environmental Management System, which point out directions for us to work towards the goal of minimising resource consumption and operating costs. Each and every employee is expected to develop energy-saving and cost-reducing habits. The aforesaid internal documents provide employees with guidance and advice on how to save water, electricity and office supplies. As the Group is a property management service provider, it is not involved in the use of any packaging materials. During the Reporting Period, the Group reviewed preliminary directional targets for energy conservation and consumption reduction. In the future, at similar operating levels, it will maintain or gradually reduce energy and resource consumption and waste production. It will set more specific quantitative environmental targets to promote its sustainable development.

Water Conservation

To lower the Group's water bill and wastewater treatment costs, we have formulated the Group-wide Initiative for Energy Conservation and Consumption Reduction, whereby all employees will follow conservation principles to reduce the Company's water costs by reducing the amount of water used. For example, employees should turn off the taps after use them, avoiding prolonged running of water. These small acts can effectively reduce water waste. Employees will take care of water-using facilities, ensuring that they can function properly. Those found not to operate properly will be repaired in time to avoid wasting water, extend the service life of equipment, and reduce the Company's maintenance costs. If any facility is found to be damaged, it needs to be repaired in a timely manner to avoid wasting water. The Form of Records of Office Environment Inspection is prepared, which could keep a record of the problems identified or observed in regular workplace inspections and any corrective actions taken. As DOWELL's tap water comes from the municipal water supply, there is no issue in sourcing water that is fit for purpose.

In addition to energy-saving measures, the Group has made technological innovations in its engineering line. The DOWELL Guantiandi project in Mianyang added the rainwater harvesting system and leveraged the riverside location to develop a retrofitting plan for efficient water use.

In the Napa Valley project, which has a large greening space, the Group made full use of its geographical proximity to a lake and installed two pumps to extract water from the lake for cleaning and irrigation purposes. During the Reporting Period, the water consumption within the reporting scope was 1,649,824.65 cubic metres, or 63.33 cubic metres per GFA in '000[4].

[4] As the water consumption at the headquarters office in Chongqing is water used in public areas and cannot be split and calculated, the water consumption data has not been disclosed.

Electricity Conservation

We have made proper arrangements for energy management and conservation, by formulating energy-saving plans and measures in the light of our actual conditions. In terms of electricity use, we have introduced a number of initiatives to reduce energy consumption and the resulting impact on the environment. During the Reporting Period, the electricity consumption within the reporting scope was 78,456.05 MWh, or 2.93 MWh per GFA in '000. The following measures have been taken to practice green operation:

Illuminating System

- Ensuring lights are turned off when people leave and no lights are always on and minimising the use of lights when there is sufficient light
- An office is divided into a number of different lighting areas, where can be set up independently controlled lighting switches
- Using sunlight as much as possible
- Using energy efficient lamps (e.g. T5 fluorescent lamps and light emitting diodes)

Heating and Air Conditioning System

- Regularly cleaning the filter screen/coil fan
- Installing sealing strips on doors and windows to prevent temperature-regulated air from flowing out
- Reducing the possibility of refrigerant leakage by regularly checking and replacing the connectors of pressure gauges, pressure hoses, and air compressors
- Regularly maintaining air conditioners to ensure they can operate efficiently
- Windows are covered with UV-blocking film to reduce heat absorption
- Using split air conditioners with grade I energy efficiency label
- Setting air conditioners to at least 26 degrees Celsius in summer and up to 18 degrees Celsius in winter

Electronic Office Equipment

- Putting office computers into standby/sleep mode when they are idle
- Turning off electronic devices completely during non-working hours
- Consolidating multiple servers into a single high-capacity server to reduce energy consumption and free up more office space
- Buying electronic equipment with energy efficiency labels
- Setting staggered cooling hours for lift plant rooms during peak hours to save electricity

In addition to energy-saving measures, the Group has made technological innovations in the engineering line to provide necessary technical resources and support for its projects. For example, we added energy-saving devices to some lifts, retrofitted old lifts without energy-saving and heat dissipation devices, and converted magnetic energy generated in the lift braking system into electric energy to reduce the total electricity consumption and achieve the energy-saving purpose.

Paper Conservation

We have taken a number of measures to conserve paper and office consumables. A set of tips called "Saving Paper/Consumables in the Office" were developed; moves such as configuring printers to default to black & white and placing stickers on printers have been adopted to promote the concept of saving paper and consumables; used paper and discarded consumables, etc. are recycled efficiently; and employees are encouraged to use electronic documents to avoid printing whenever possible. In the meantime, we also promote initiatives such as duplex printing, printing in black and white, and reuse of used paper, set up storage boxes for used paper, and use such paper for such purposes as printing files for discussion, preparing drafts, and pasting reimbursement vouchers, so as to cut the paper consumption. Through these measures, we could reduce the waste of resources.

During the Reporting Period, the paper consumption within the reporting scope was 13,736.27 kg, or 2.62 kg per person.

8.4 Mitigation of Climate Change

We evaluate potential climate change risks, as climate change is one of the potential threats facing the Group's businesses. During the Year, we assessed potential physical climate risks that could affect our main operating locations. Meanwhile, we also refined our assessment items in the category of transition climate risks, adding policy and regulatory risks, market risks, and reputational risks.

Categories and descriptions of climate risks	Potential consequences	Countermeasures
Physical climate risks(e.g. flooding, super typhoon, storm surge, and extreme rainfall)	• Supply chain disruption and impact on demand • Damage to infrastructure and facilities • Increased operating costs due to maintenance of damaged facilities	• Formulation of Disastrous Weather Handling Plan and Earthquake Disaster Handling Plan • Provision of disaster response training to employees Launch of disaster drills for employees • Exploration of using renewable energy sources

Chronic risks (e.g. extremely hot weather and sea level rise)	• Rising electricity use demands and operating costs due to increased cooling demand • Drop in productivity • Flooding caused by rising sea levels	• Close attention to the weather forecast to ensure timely and adequate preparation to guarantee the safety of employees and property owners
Policy and regulatory risks (reporting disclosure compliance risks)	• Damaged reputation and loss of competitive advantage • Possible penalties for non-compliance	• Tracking the latest laws and regulations on climate change and integrating them into business management strategies
Market risks (e.g. inability to adapt to growing stakeholder concerns on sustainability)	• Failure to meet climate change policies of customers	• Reduction of carbon emissions by purchasing energy-efficient office supplies and using clean energy

APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY

The following is a summary of the Group's information on sustainability in the environmental area for the Year:

Environmental area[1]	Unit	2022
Emissions[5]		
Nitrogen oxides	kg	1,212.05
Sulfur oxides	kg	0.44
Suspended particles	kg	95.16
Greenhouse gas emissions[6]		
Direct GHG emissions (Scope 1)	Tonne of CO_2e	118.30
GHG reductions from planting of new trees (Scope 1)	Tonne of CO_2e	57.43
Indirect GHG emissions (Scope 2)	Tonne of CO_2e	45,582.97
Total GHG emissions (Scope 1 and Scope 2)	Tonne of CO_2e	45,643.84
GHG emissions intensity (area)	Tonne of CO_2e/m2 GFA in '000s	1.70
GHG emissions intensity (person)	Tonne of CO_2e/employee	8.69
Non-hazardous waste		
Non-hazardous waste generated	kg	14,777.00
Non-hazardous waste generation intensity (person)	kg/employee	2.81
Water consumption[7]		
Total water consumption	Cubic metre	1,649,824.65
Water consumption intensity (area)	Cubic metre/m^2 GFA in '000s	63.33
Water consumption intensity (person)	Cubic metre/employee	315.70
Electricity consumption		
Total electricity consumption	MWh	78,456.05
Total electricity consumption intensity (area)	MWh/m^2 GFA in '000s	2.93
Total electricity consumption intensity (person)	MWh/employee	14.94
Paper consumption		
Paper consumption	kg	13,736.27
Paper consumption intensity (person)	kg/employee	2.62

5 Emissions are calculated with reference to "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" of the HKEX.

6 GHG emissions are calculated with reference to "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" of the HKEX.

7 As the water consumption at the headquarters office in Chongqing is water used in public areas and cannot be split and calculated, the water consumption data have not been disclosed. The corresponding number of employees is 5,226.

The following is a summary of the Group's information on sustainability in the social area for the Year:

Social area[8]	Unit	2022
Total number of employees	People	5,251
Number of employees by gender		
Female	People	2,585
Male	People	2,666
Number of employees by age group		
Under 30	People	1,011
30–50	People	2,863
Over 50	People	1,377
Number of employees by employment type		
Full-time junior employees	People	5,066
Full-time middle management	People	164
Full-time senior management	People	21
Number of employees by geographical region		
Northern China	People	508
Western China	People	689
Eastern China	People	1,601
Central China	People	877
Southern China	People	512
Southwestern China	People	1,064
Employee turnover rate[9]		
Total employee turnover rate	%	33.70
Employee turnover rate by gender[9]		
Female	%	34.61
Male	%	32.80
Employee turnover rate by age group[9]		
Under 30	%	44.17
30–50	%	30.39
Over 50	%	31.01
Employee turnover rate by geographical region[9]		
Northern China	%	37.21
Western China	%	36.38
Eastern China	%	30.18
Central China	%	42.42
Southern China	%	29.09
Southwestern China	%	28.59

[8] Data in the social area covers the entire Group.

[9] The formula to calculate employee turnover rate is: Number of employees who left in the category ÷ (number of employees who left in the category + number of employees at the end of the Year in the category) × 100%

Social area[8]	Unit	2022
Percentage of employees trained by gender[10]		
Female	%	49.44
Male	%	50.56
Percentage of employees trained by employee category		
Full-time junior employees	%	96.76
Full-time middle management	%	2.87
Full-time senior management	%	0.37
Average training hours completed per employee by gender		
Female	Hour	33.97
Male	Hour	38.43
Average training hours completed per employee by employee category		
Full-time junior employees	Hour	36.73
Full-time middle management	Hour	22.38
Full-time senior management	Hour	13.31
Occupational health and safety		
Number of work-related fatalities (2020, 2021 and 2022)	People	0
Rate of work-related fatalities (2020, 2021 and 2022)	%	0
Lost days due to work injury during 2022	Day	0

10 The formula to calculate the percentage of employees trained is: Number of employees trained in the category ÷ total number of employees trained × 100%

APPENDIX II: INDEX OF ESG REPORTING GUIDE

Indicators			Corresponding section(s)
A. Environment area			
A1: Emissions	General Disclosure	Information relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	8. ENVIRONMENTAL PROTECTION
	A1.1	Types of emissions and respective emissions data.	8.1 Emissions Management
	A1.2	Direct (Scope 1) and indirect (Scope 2) GHG emissions (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	8.1 Emissions Management APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8.2 Waste Management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	8.2 Waste Management APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
	A1.5	Description of the emission target(s) and steps taken to achieve them.	8. ENVIRONMENTAL PROTECTION 8.1 Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	8.2 Waste Management

Indicators			Corresponding section(s)
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	8. ENVIRONMENTAL PROTECTION
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	8.3 Resource Conservation APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	8.3 Resource Conservation APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	8. ENVIRONMENTAL PROTECTION 8.3 Resource Conservation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	8. ENVIRONMENTAL PROTECTION 8.3 Resource Conservation
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the Group's business
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	8. ENVIRONMENTAL PROTECTION
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	8. ENVIRONMENTAL PROTECTION
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	8.4 Mitigation of Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	8.4 Mitigation of Climate Change

Indicators			Corresponding section(s)
B. Social area			
B1: Employment	General Disclosure	Information relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	6. TALENT VALUED
	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region	APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
	B1.2	Employee turnover rate by gender, age group and geographical region	APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
B2: Health and Safety	General Disclosure	Information relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	6.4 Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
	B2.2	Lost days due to work injury.	APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.4 Health and Safety

Indicators			Corresponding section(s)
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Training and Career Growth
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
	B3.2	The average training hours completed per employee by gender and employee category.	APPENDIX I: ENVIRONMENTAL AND SOCIAL KPIS SUMMARY
B4: Labour Standards	General Disclosure	Information relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	6.1 Recruitment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Recruitment
	B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Recruitment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.2 Supplier Management
	B5.1	Number of suppliers by geographical region.	5.2 Supplier Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.2 Supplier Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.2 Supplier Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	5.2 Supplier Management

Indicators			Corresponding section(s)
B6: Product Responsibility	General Disclosure	Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	4.1 Quality Service 5. ROBUST OPERATIONS
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group does not involve any product recall.
	B6.2	Number of product and service related complaints received and how they are dealt with.	4.2 Customer Communication
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.4 Protection of IPRs
	B6.4	Description of quality assurance process and recall procedures.	4.1 Quality Service The Group does not involve any product recall.
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	5.4 Protection of IPRs
B7: Anti-corruption	General Disclosure	Information relating to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	5.3 Integrity in Operations
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.3 Integrity in Operations
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.3 Integrity in Operations
	B7.3	Description of the anti-corruption training provided to directors and employees.	5.3 Integrity in Operations

Indicators			Corresponding section(s)
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. COMMUNITY DEVELOPMENT
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. COMMUNITY DEVELOPMENT
	B8.2	Resources contributed (e.g. money or time) to focus areas.	7. COMMUNITY DEVELOPMENT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DOWELL SERVICE GROUP CO. LIMITED

(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Dowell Service Group Co. Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 116 to 214, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing potential impairment of goodwill and customer relationships

Refer to significant accounting policies in Note 4, accounting estimates and judgements in Note 5 and disclosure of intangible assets in Note 17 to the consolidated financial statements.

As at 31 December 2022, the Group's goodwill and customer relationships, which amounted to RMB188,907,000 and RMB82,430,000 respectively, was allocated to the cash generating units ("**CGUs**"), representing Hubei Zhonghe Century Property Management Co., Limited ("**Hubei Zhonghe**"), Chongqing Shengdu Property Management Co., Ltd. ("**Chongqing Shengdu**"), GSN Property Service Co., Ltd. ("**GSN**"), Guangxi Dongyuan Shengkang Logistics Management Service Co., Ltd. ("**Guangxi Shengkang**"), Mianyang Ruisheng Property Management Co., Ltd. ("**Mianyang Ruisheng**"), Hunan Jindian Property Management Co., Ltd. ("**Hunan Jindian**") and Zhejiang Zhongdu Property Management Co., Ltd. ("**Zhejiang Zhongdu**").

Impairment assessment of goodwill and customer relationships are performed by management. The recoverable amounts of the assets allocated to the property management business operated by Hubei Zhonghe, Chongqing Shengdu, GSN, Guangxi Shengkang, Mianyang Ruisheng, Hunan Jindian and Zhejiang Zhongdu respectively are determined by management based on value in use calculations.

The value in use was estimated by preparing discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in forecasting future revenue, future gross profit margins and future operating and administrative expenses and in determining the long-term growth rates and discounted rates applied.

No impairment losses of goodwill and customer relationships were recognised for the year ended 31 December 2022 as the recoverable amounts of the CGUs as determined on the basis set out above were higher than the carrying amounts.

We identified assessing potential impairment of goodwill and customer relationships as a key audit matter because the impairment assessment prepared by management is complex and involves a significant degree of judgement in determining the assumptions, in particular the long term growth rates and the discount rates applied, and could be subject to management bias.

Our response

Our procedures in relation to assess potential impairment of goodwill and customer relationships included the following:

(i) Evaluating management's identification of CGUs and the amount of goodwill, customer relationships and asset allocated to the CGUs;

(ii) Using our independent and qualified valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards;

(iii) Comparing the significant inputs used in the discounted cash flow forecasts, including future revenue, future gross profit margins and future operating and administrative expenses with the relevant data in the financial budgets approved by the board of directors, industry reports and agreements signed subsequent to the reporting date, if any;

(iv) Comparing the significant inputs used in discounted cash flow forecasts prepared in the prior year, if applicable, with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified;

(v) Assessing the long-term growth rate and discount rate used in the discounted cash flow forecasts by benchmarking against other similar property management companies;

(vi) Obtaining sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts prepared by management and considering the resulting impact on the impairment charges for the year and whether there were any indicators of management bias; and

(vii) Considering the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill and customer relationships, including the key assumptions and sensitivities to changes in such assumptions, with reference to the requirements of the prevailing accounting standards.

Impairment assessment of trade and bills receivables

Refer to significant accounting policies in Note 4, accounting estimates and judgements in Note 5 and disclosure of impairment on trade and bills receivables in Note 22 to the consolidated financial statements.

As at 31 December 2022, the gross amount of the Group's trade and bills receivables totalled RMB599,344,000, against which a loss allowance of RMB34,092,000 was made. The net carrying value of the Group's trade and bills receivables represented approximately 44.8% of the total assets of the Group as at 31 December 2022.

The Group's loss allowance for trade and bills receivables applies the simplified approach to calculate expected credit losses ("**ECLs**"), which is measured at an amount equal to lifetime expected credit losses. This approach is based on management's estimated loss rates for trade and bills receivables. The estimated loss rates take into account the ageing of the trade and bills receivables, overdue balances and information regarding the ability and intent of the debtor to pay and historical data on default rates and forward looking information.

Management is required to apply judgement in assessing the loss allowance for trade and bills receivables under the ECLs model. The ability of the debtors to repay the Group depends on shared credit risk characteristics of trade and bills receivables groups and market conditions which involves inherent uncertainty.

We identified the loss allowance for trade and bills receivables as a key audit matter because of the inherent uncertainty in assessing if trade and bills receivables will be recovered and because the assessment of the ECLs requires the exercise of management judgement.

Our response

Our procedures in relation to management's impairment assessment on trade and bills receivables included the following:

(i) Obtaining an understanding of and assessing management's key controls relating to credit control, debt collection and the calculation of the ECLs;

(ii) Assessing the trade and bills receivables ageing report by group based on shared credit risk characteristics and the days past due by comparing the details of individual items with underlying invoices on a sample basis;

(iii) Obtaining an understanding of the basis of management's approach to measuring ECLs of trade and bills receivable balances and together with our own external valuation specialists, where necessary, assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and

(iv) Comparing cash receipts from debtors subsequent to the financial year end date relating to trade and bills receivable balances at 31 December 2022 with bank statements and relevant underlying documentation on a sample basis.

Identification of assets and liabilities for newly acquired business

Refer to significant accounting policies in Note 4 and disclosure of identification of assets and liabilities for newly acquired business under business combinations in Note 32 to the consolidated financial statements.

During the year, the Group acquired three subsidiaries, Mianyang Ruisheng, Hunan Jindian and Zhejiang Zhongdu, which the purchase price allocation ("**PPA**") involved significant judgement and assumptions.

Management has engaged independent valuer to assist determining the fair value of the identifiable assets acquired and liabilities assumed at the completion dates. Fair value and corresponding deferred tax adjustments were made based on the PPA exercise, and goodwill has been recognised for the difference being the fair value of the purchase considerations in excess of the fair value of identifiable assets acquired and liabilities assumed in each case.

We consider this as a key audit matter because of its significance to the consolidated financial statements and because the fair value determination of certain items in the PPA involved significant management judgement and estimates.

Our response

Our procedures in relation to the management's PPA above included:

(i) Testing the mathematical accuracy of the calculations which we considered necessary;

(ii) Checking the purchase consideration amounts against relevant supporting information;

(iii) Together with our own external valuation specialists, where necessary:

- considering and evaluating the reasonableness of the identification of assets acquired and liabilities assumed;
- evaluating the PPA and fair value determination of the assets acquired and liabilities assumed, by reference to independent valuer's reports obtained by the management; and
- assessing the reasonableness of assumptions and inputs adopted in the fair value determination.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	7	**1,342,459**	1,193,423
Cost of sales	7,8	**(1,066,833)**	(884,500)
Gross profit		**275,626**	308,923
Selling and marketing expenses	8	**(30,872)**	(27,771)
Administrative expenses	8	**(145,310)**	(139,284)
Net impairment losses on financial assets	39(b)	**(24,107)**	(3,522)
Other income	10	**18,787**	9,554
Other gains/(losses), net	11	**9,274**	(315)
Operating profit		**103,398**	147,585
Finance income		**288**	325
Finance costs		**(536)**	(1,033)
Finance costs, net	12	**(248)**	(708)
Share of results of investments accounted for using the equity method	19	**6,931**	7,162
Profit before income tax expense		**110,081**	154,039
Income tax expense	13	**(15,920)**	(23,644)
Profit for the year		**94,161**	130,395
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**90,722**	128,720
– Non-controlling interests		**3,439**	1,675
		94,161	130,395
		RMB	*RMB*
Earnings per share			
– Basic	14	**1.48**	2.57
– Diluted	14	**1.48**	2.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	16	**34,376**	19,579
Right-of-use assets	18	**8,048**	10,669
Intangible assets	17	**278,077**	114,201
Deferred income tax assets	31	**13,311**	8,436
Long-term prepayments	24	**4,216**	2,562
Contract costs	7(e)	**11,819**	8,653
Investments accounted for using the equity method	19	**19,774**	24,118
		369,621	188,218
Current assets			
Contract assets	7(a)	**2,432**	1,301
Dividend receivables		**7,024**	2,580
Trade, bills and other receivables	22	**599,620**	417,860
Inventories	23	**40,032**	51,823
Prepayments	24	**21,069**	42,690
Current income tax receivables		**600**	10,373
Restricted cash	25	**670**	–
Cash and cash equivalents	25	**220,381**	249,162
		891,828	775,789
Current liabilities			
Trade payables	30	**247,990**	180,793
Accruals and other payables	30	**263,632**	254,642
Contract liabilities	7(a)	**228,392**	194,632
Lease liabilities	18	**4,148**	3,854
Dividend payables	15	**–**	45,267
Financial liabilities at fair value through profit or loss	39	**2,000**	2,000
Current income tax liabilities		**8,162**	5,205
		754,324	686,393
Net current assets		**137,504**	89,396
Total assets less current liabilities		**507,125**	277,614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	18	**4,027**	6,520
Financial liabilities at fair value through profit or loss	39	**2,000**	4,000
Deferred income tax liabilities	31	**15,191**	9,042
		21,218	19,562
Net assets		**485,907**	258,052
Capital and reserves			
Share capital	27	**66,991**	50,000
Reserves	28	**212,370**	85,692
Retained earnings		**185,426**	113,530
Equity attributable to owners of the Company		**464,787**	249,222
Non-controlling interests	33	**21,120**	8,830
Total equity		**485,907**	258,052

The consolidated financial statements on pages 116 to 214 were approved and authorised for issue by the Board of Directors on 30 March 2023 and are signed on its behalf by:

Zhang Aiming
Director

Fan Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company					
	Share capital *(Note 27)* RMB'000	Reserves *(Note 28)* RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests *(Note 33)* RMB'000	Total equity RMB'000
At 1 January 2021	50,000	66,342	42,493	158,835	6,665	165,500
Profit and total comprehensive income for the year	–	–	128,720	128,720	1,675	130,395
Appropriation to statutory reserves	–	17,683	(17,683)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	490	490
Dividend distribution to the shareholders	–	–	(40,000)	(40,000)	–	(40,000)
Employee share award scheme-Value of employee services *(Note 29)*	–	1,667	–	1,667	–	1,667
At 31 December 2021 and 1 January 2022	50,000	85,692	113,530	249,222	8,830	258,052
Profit and total comprehensive income for the year	**–**	**–**	**90,722**	**90,722**	**3,439**	**94,161**
Addition of non-controlling interests from business combination	**–**	**–**	**–**	**–**	**10,895**	**10,895**
Dividend distribution to the non-controlling interests				**–**	**(2,044)**	**(2,044)**
Transfer from retained earnings to statutory reserve	**–**	**18,826**	**(18,826)**	**–**	**–**	**–**
Issue of new shares upon listing	**16,667**	**150,727**	**–**	**167,394**	**–**	**167,394**
Expenses attributed to issuance of new shares upon listing	**–**	**(45,808)**	**–**	**(45,808)**	**–**	**(45,808)**
Exercise of over-allotment option in relation to initial public offer	**324**	**2,933**	**–**	**3,257**	**–**	**3,257**
At 31 December 2022	**66,991**	**212,370**	**185,426**	**464,787**	**21,120**	**485,907**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	*34(a)*	**38,759**	162,364
Income tax paid/refund, net		**(8,069)**	(26,291)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**30,690**	136,073
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	*16*	**(23,199)**	(14,319)
Purchases of intangible assets	*17*	**(4,971)**	(1,655)
Proceeds from disposal of property, plant and equipment		**196**	300
Proceeds from deregistration of an associate		**274**	–
Advances to related parties	*36(b)*	**–**	(155,270)
Repayment of loans and advances to related parties	*36(b)*	**–**	160,270
Dividends received from joint ventures	*19*	**4,009**	4,630
Investment in joint ventures and associates	*19*	**(6,480)**	(1,530)
Increase in restricted cash	*25*	**(670)**	–
Restricted cash released		**–**	201
Payment for contingent consideration for acquisition of a subsidiary		**(2,000)**	–
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired		**(122,601)**	(71,078)
NET CASH USED IN INVESTING ACTIVITIES		**(155,442)**	(78,451)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the shareholders		**(45,267)**	(3,285)
Repayments of bank borrowings	*34(b)*	**–**	(11,000)
Proceeds from advances from related parties	*36(b)*	**–**	45,224
Repayments of advances from related parties	*36(b)*	**(363)**	(50,196)
Capital contribution from non-controlling interests		**–**	490
Payment for listing expenses		**(24,288)**	(16,595)
Interest paid		**(536)**	(1,033)
Principal element of lease payments		**(4,226)**	(6,015)
Proceeds from issue of new ordinary shares upon listing		**170,651**	–
NET CASH FORM/(USED IN) FINANCING ACTIVITIES		**95,971**	(42,410)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(28,781)**	15,212
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**249,162**	233,950
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**220,381**	249,162
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:			
Restricted cash	*25*	**670**	–
Bank balances and cash	*25*	**220,381**	249,162
		221,051	249,162

1. GENERAL

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

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

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

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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs – effective 1 January 2022

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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

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

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (revised)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]

[1] Effective for annual periods beginning on or after 1 January 2023

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 1, Non-current Liabilities with Covenants

Amendments to HKAS 1 Non-current Liabilities with Covenants clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The 2022 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted.

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to the Hong Kong Interpretation 5 (Revised)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements on classifying liabilities as current or non-current. The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to the Hong Kong Interpretation 5 (Revised) *(Continued)*

As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 (Revised) was revised to align the corresponding wording with no change in conclusion.

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

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosures of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

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

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/decommissioning liabilities.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

Amendments to HKAS 16, Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in HKFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions. The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Since all of the assets and operations of the Group are located in the PRC, the Historical Financial Information is presented in RMB, which is the Company's functional currency and the Group's presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated balance sheets respectively.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 4(e)), after initially being recognised at cost.

(d) Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (Note 4(e)), after initially being recognised at cost in the consolidated balance sheet.

(e) Equity method

Under the equity method of accounting, investments in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee, and the Group's share of movements in other comprehensive income ("**OCI**") of the investee in OCI. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an investment accounted for using the equity method equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Equity method *(Continued)*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 4(l).

(f) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(g) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("**CODM**"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company that makes strategic decisions.

(i) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated statements of comprehensive income

Foreign exchange gains and losses that relate to borrowings is presented within "Finance income/(costs), net". All other foreign exchange gains and losses are presented within "Other gains/(losses), net".

(j) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term, as follows:

Buildings	10 – 30 years
Electronic equipment	3 – 10 years
Furniture and fixtures	3 – 10 years
Vehicles	5 – 10 years
Leasehold improvements	Shorter of useful life or lease term

Property, plant and equipment arising from business acquisition is depreciated over the remaining useful life.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4(l)).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses), net" in the consolidated statements of comprehensive income.

(k) Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 4(a). Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs, that is expected to benefit from the synergies of the combination in which the goodwill arose. The goodwill is allocated and monitored at subsidiary level which is below the operating segment level (Note 6).

The carrying value of the CGUs containing the goodwill is compared with the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (Note 4(l)).

(b) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected lives of 8 to 10 years for the customer relationships, which is determined by considering to the existing conditions and possibilities of renewal of the property management contracts by reference with industry experiences.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Intangible assets *(Continued)*

(c) Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(l) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(m) Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains/(losses), net" and impairment expenses are presented as separate line item in the statements of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(c) Measurement *(Continued)*

Debt instruments (Continued)

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains/(losses), net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognised in "Other gains/(losses), net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 39(b) details how the Group determines whether there has been a significant increase in credit risk.

For contract assets, trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 39(b) for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(o) Trade, bills and other receivables

Trade and bills receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade, bills and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 22 for further information about the Group's accounting for trade and other receivables and Note 39(b) for a description of the Group's impairment policies for trade, bills and other receivables.

(p) Inventories

Inventories refer to car parking spaces and consumables are stated at the lower of cost and net realisable value. Cost of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(q) Cash and cash equivalents

For the purpose of presentation in the consolidate statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) Share capital and paid-in capital

Paid-in capital and ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as “Other income” or “Finance costs”.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

(u) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the year in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in OCI or directly in equity. In this case the tax is also recognised in OCI or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

Outside basis differences (Continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(b) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits *(Continued)*

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(e) Bonus plans

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within one year and are measured at the amounts expected to be paid when they are settled.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Share-based payments

Dima Holdings restricted shares and share options schemes

The fair value of restricted shares and share options granted under Dima Holdings restricted shares and share options schemes are recognised as an employee benefits expense with a corresponding increase in equity as reserves. The total amount to be expensed is determined by reference to the fair value of the restricted shares or share options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of restricted shares or share options that are expected to vest based on the non-marketing performance and service conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in the consolidated statements of comprehensive income and the share-based payment reserve in equity.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

Cancellation of the equity-settled share-based payments is treated as acceleration of vesting. The amount of share-based payment expense, which would have been recognised for services received over the remainder of the vesting period, is charged to profit or loss accounts, where appropriate, on the date of cancellation immediately.

(y) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Provisions *(Continued)*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(z) Revenue recognition

The Group is primarily engaged in provision of property management services, community value-added services and value-added services to non-property owners.

Revenue is recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

If contracts involve the sale of multiple services, the transaction prices are allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(a) Property management services

Revenue from providing property management services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group when the Group performs.

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group is primarily responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

For property management services income from properties managed under commission basis, where the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Revenue recognition *(Continued)*

(b) Community value-added services

The Group provides community value-added services, which mainly include: car parking spaces management services, agency services for sale of car parking spaces and properties, car parking spaces sales business, community events planning services, public resources management services, agency services for property leasing and other community value-added services.

The Group managed car parking spaces and collected car parking fees on behalf of property developers and related management services fees are recognised as revenue on a net basis at a pre-determined percentage of total parking fees collected that corresponds directly with the value of performance completed.

The Group provides agency services for sale of car parking spaces and properties to property developers. The Group acts as an agent in the agency service as the Group is not the primary obligor to provide the car parking spaces and properties to the customers and the Group has no inventory risk and pricing discretion in sales of car parking spaces and properties. The Group recognises commission fees on a net basis, which are calculated by a percentage of the sales prices when the car parking spaces and properties are delivered to the customers.

The Group also acts as a principal in sale of car parking lots in certain territory, as the Group obtains control of the car parking lots before transferring the control of car parking lots to the end customers. Revenue is recognised when the control of the car parking lot is transferred to the customer. Revenue from community events planning services is recognised on a gross basis when such services are rendered.

The Group provides public resources management services, which mainly include: agent services for publishing advertisements, leasing public facilities or areas to the property owners. The Group acted as an agency when providing the services and recognises the commission fees on a net basis, which is calculated by a portion of income earned by property owners in accordance with an agreed-upon percentage when such services are rendered.

The Group provides property agency services to property developers in relation to the properties that involve assisting in the searches for tenants, and coordination with potential tenants. The Group recognises the commission fees on a net basis at a fixed percentage of rental income when such services are rendered.

Revenue from other community value-added services mainly include: renovation management services, decoration services, utility and maintenance services provided to residents or tenants, and is charged for each services provided and recognised when the relevant services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Revenue recognition *(Continued)*

(c) Value-added services to non-property owners

The Group provides value-added services to non-property owners, which mainly include: on-site sales assistance services, preliminary planning and delivery assistance services, pre-delivery consultancy and inspection services, maintenance and renovation services, washing services and medical-related necessities and other additional tailored services.

On-site sales assistance services mainly include: cleaning, security, maintenance of display units, visitor management and hospitality services provided to property developers at an early stage of property development, which are billed and settled monthly based on actual level of services provided at pre-determined price and revenue is recognised on a gross basis when such services are provided.

The Group provides preliminary planning and delivery assistance services to property developers before and during the construction of the properties. The Group provides pre-delivery consultancy and inspection services to property developers when the construction has been completed. The Group agrees the price for the services with the customers upfront and recognises as revenue on a gross basis in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

The Group provides maintenance, renovation and engineering services to property developers. The Group agrees the price for the services with the customers upfront and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

The Group provides washing and disinfection of medical fabrics services to hospitals which are billed and settled monthly based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided. The Group provides medical-related necessities to hospitals at pre-determined price and revenue is recognised when such services are provided.

Other value-added services to non-property owners refer to other additional tailored services. The Group recognised revenue when the relevant services are rendered.

(d) Rental income

Rental income from lease of apartments is recognised in the consolidated statements of comprehensive income on a straight-line basis over the term of the lease (Note 4(cc)).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Revenue recognition *(Continued)*

(e) Presentation of assets and liabilities related to contracts with customers

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised. The Group applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense immediately if the amortisation period is less than 12 months.

(aa) Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of "Other income".

Interest income is presented as "Finance income" where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in "Other income".

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(cc) Leases

The Group leases apartments as lessee and then lease out to customers as lessor. The Group also lease office buildings and other equipment for own use. Rental contracts for apartments are typically made for fixed periods of 5 to 10 years. Rental contracts for office buildings and equipment are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Right-of-use assets that meet the definition of investment properties are presented as investment properties on the consolidated statement of financial position.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) Leases *(Continued)*

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term, typically made for fixed periods of 1 to 2 years (Note 4(z)).

(dd) Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ee) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ff) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Allowance on doubtful receivables

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

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade, bills and other receivables and related impairment losses in the periods in which such estimate has been changed. Details of the key assumptions and inputs used are disclosed in Note 39(b).

(b) Current and deferred income tax

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

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

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

The Group tests annually whether goodwill and customer relationships (under intangible assets) has suffered any impairment, in accordance with the accounting policies stated in Note 4(k) and Note 4(l), where the recoverable amounts of the CGUs is determined based on value-in-use ("**VIU**") calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) Estimation of the useful life of customer relationships

Customer relationships identified on respective acquisition dates is recognised as intangible assets (Note 17). Customer relationships primarily related to the existing contracts of acquirees on the acquisition date. The Group estimates the useful life and determines the amortisation period of the customer relationships to be 8 to 10 years based on the expected contract periods (including renewal) for property management services with customers based on the historical renewal pattern and the industry practice.

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

(e) Fair value measurement

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

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

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

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

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

At each reporting date, the Group measures financial liabilities at FVPL (Note 39).

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable notes.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

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

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

(g) Estimated incremental borrowing rate for leases

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(i) Net realisable value of inventories

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

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

6. SEGMENT INFORMATION

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

During the year, the Group is principally engaged in the provision of property management services, community value-added services, and value-added services to non-property owners. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

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

As at 31 December 2022 and 2021, all of the assets of the Group were located in the PRC.

7. REVENUE

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 for the years ended 31 December 2022 and 2021 are as follows:

	2022 Revenue *RMB'000*	**2022 Cost of sales *RMB'000***	2021 Revenue *RMB'000*	2021 Cost of sales *RMB'000*
Revenue from customer and recognised over time				
Property management services	**839,782**	**665,474**	629,028	483,468
Community value-added services	**212,666**	**169,673**	185,716	130,512
Value-added services to non-property owners	**227,634**	**177,146**	249,856	179,551
	1,280,082	**1,012,293**	1,064,600	793,531
Revenue from customer and recognised at point in time				
Community value-added services (i)	**62,286**	**54,469**	101,135	71,071
Value-added services to non-property owners	**91**	**71**	27,688	19,898
	62,377	**54,540**	128,823	90,969
	1,342,459	**1,066,833**	1,193,423	884,500
Revenue recognised on gross basis/net basis:				
Revenue recognised on gross basis	**1,306,871**	**1,044,564**	1,105,965	831,141
Revenue recognised on net basis	**35,588**	**22,269**	87,458	53,359
	1,342,459	**1,066,833**	1,193,423	884,500

For the years ended 31 December 2022 and 2021, revenue from related parties contributed to 18.7% and 31.4% of the Group's revenue, respectively. Other than entities controlled by Dima Holdings and joint ventures and associates of Dima Holdings, none of the customers contributed 10% or more of the Group's revenue during the year.

(i) For the years ended 31 December 2022 and 2021, revenue from sale of car parking spaces which the Group acts as a principal amounted to RMB6,252,000 and RMB10,668,000, respectively.

7. REVENUE *(Continued)*

(a) Contract assets and liabilities

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

	2022 *RMB'000*	2021 *RMB'000*
Contract assets		
– Value-added services to non-property owners	**2,432**	1,301

	2022 *RMB'000*	2021 *RMB'000*
Contract liabilities		
– Property management services	**182,769**	140,922
– Community value-added services	**43,111**	49,861
– Value-added services to non-property owners	**2,512**	3,849
	228,392	194,632

(b) Significant changes in contract assets and liabilities

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

7. REVENUE *(Continued)*

(c) Revenue recognised in relation to contract liabilities

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

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– Property management services	**140,922**	97,053
– Community value-added services	**49,861**	15,217
– Value-added services to non-property owners	**3,849**	5,739
	194,632	118,009

(d) Unsatisfied performance obligations

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

	2022	2021
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term pre-delivery services that are partially or fully unsatisfied	**14,172**	30,342

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

	2022		2021	
	RMB'000		*RMB'000*	
Less than 1 financial year	**12,555**	**89%**	12,981	43%
1 to 2 financial years	**1,411**	**10%**	14,592	48%
2 to 3 financial years	**206**	**1%**	2,769	9%
	14,172		30,342	

7. REVENUE *(Continued)*

(d) Unsatisfied performance obligations *(Continued)*

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

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

(e) Contract costs

(i) Assets recognised from incremental costs to obtain contracts

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

	2022	2021
	RMB'000	*RMB'000*
Asset recognised from incremental costs to obtain a contract	**11,819**	8,653
Amortisation recognised as cost of providing services	**4,472**	2,200

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

8. EXPENSES BY NATURE

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

	2022	2021
	RMB'000	*RMB'000*
Employee benefit expenses *(Note 9)*	**624,354**	492,631
Cleaning costs	**156,566**	148,134
Maintenance costs	**70,078**	78,334
Security costs	**128,098**	103,831
Utilities	**45,945**	37,206
Short-term lease expenses *(Note 18)*	**11,843**	10,159
Travel and entertainment expenses	**11,414**	14,514
Costs of consumables	**40,088**	42,604
Professional expenses	**19,892**	18,461
Greening and gardening costs	**16,882**	12,821
Cost of selling parking spaces	**6,308**	6,398
Promotion expenses	**9,099**	7,131
Community activity expense	**4,142**	3,561
Depreciation of property, plant and equipment *(Note 16)*	**12,347**	6,229
Depreciation of right-of-use assets *(Note 18)*	**4,709**	5,376
Depreciation of investment properties	**–**	98
Other taxes	**4,920**	5,550
Office expenses	**10,064**	8,219
Bank charges	**2,303**	2,144
Auditors' remuneration		
– Audit services	**1,750**	1,100
Amortisation of intangible assets *(Note 17)*	**9,935**	5,545
Provision for impairment on inventories *(Note 23)*	**4,775**	–
Other expenses	**47,503**	41,509
	1,243,015	1,051,555

9. EMPLOYEE BENEFIT EXPENSES

	2022 RMB'000	2021 RMB'000
Wages, salaries and bonuses	**498,477**	393,509
Pensions, housing funds, medical insurances and other social insurances *(a)*	**76,298**	59,253
Other employee benefits *(b)*	**49,579**	38,202
Share-based payment expenses *(Note 29)*	**–**	1,667
	624,354	492,631

(a) Employees in the Company and the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme and housing funds, medical insurances and other social insurance plans administrated and operated by the local municipal government. The Company and the Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits, housing funds, medical insurances and other social insurances of the employees.

(b) Other employee benefits mainly include meal, traveling, transportation allowances and other allowances.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include Mr. Zhang Aiming, Mr. Fan Dong, and Mr. Heng Qingda, directors whose emoluments are reflected in the analysis presented in Note 37 the years ended 31 December 2022 and 2021, respectively. Detail of the remunerations of the remaining highest paid non-director individuals during the year are set out as below:

	2022 RMB'000	2021 RMB'000
Wages, salaries and bonuses	**3,493**	3,623
Pensions, housing funds, medical insurances and other social insurances	**145**	320
	3,638	3,943

9. EMPLOYEE BENEFIT EXPENSES *(Continued)*

The emoluments of the highest paid non-director individuals fell within the following band:

	2022	2021
Emolument bands		
HK$1,000,001 – HK$1,500,000	**–**	3
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–
	2	3

During the year, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

10. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Government subsidies	**18,787**	9,554

Government subsidies represented mainly rewards from local government without attached conditions (2021: mainly rewards and tax refunds from local government without attached conditions).

11. OTHER GAINS/(LOSSES), NET

	2022	2021
	RMB'000	*RMB'000*
Net losses from disposal of property, plant and equipment	**(240)**	(372)
Net gains from disposal of investment properties	**–**	133
Net gains/(losses) from disposal of right-of-use assets	**6**	(76)
Net exchange difference	**6,350**	–
Gain on re-measurement of previous held equity interest	**3,174**	–
Others	**(16)**	–
	9,274	(315)

12. FINANCE INCOME/(COSTS), NET

	2022 RMB'000	2021 RMB'000
Finance income:		
– Bank interest income	**288**	325
Finance cost:		
– Interest expenses on bank borrowings	**–**	(174)
– Interest expenses on factoring arrangements	**(97)**	(177)
– Interest expenses on lease liabilities *(Note 18)*	**(439)**	(682)
	(536)	(1,033)
Finance costs, net	**(248)**	(708)

13. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax – PRC Enterprise Income Tax (the "**PRC EIT**")		
– for the year	**22,157**	21,924
– under-provision in prior year	**1,087**	716
	23,244	22,640
Deferred income tax *(Note 31)*		
- (credited)/charged for the year	**(7,324)**	1,004
	15,920	23,644

13. INCOME TAX EXPENSE *(Continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of PRC, the principal place of the Group's operations, as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before income tax expense	**110,081**	154,039
Less: Share of results of investments accounted for using the equity method, net of tax	**(6,931)**	(7,162)
	103,150	146,877
Tax charge at effective rate applicable to profits in the enterprise income tax	**25,788**	36,719
Tax effects of:		
– Effect of preferential tax rate of certain subsidiaries	**(12,585)**	(14,304)
– Expenses not deductible for tax purposes	**749**	513
– Income not deductible for tax purposes	**(694)**	–
– Tax effect of temporary differences not recognised	**1,575**	–
– Under-provision in prior years	**1,087**	716
Tax charge for the year	**15,920**	23,644

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

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

14. EARNINGS PER SHARE

(a) Basic

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

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

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the year ended 31 December 2021 was based on 50,000,000 shares of the Company issued throughout the year ended 31 December 2021.

	2022	2021
Profit attributable to owners of the Company (RMB'000)	**90,722**	128,720
Weighted average number of ordinary shares in issue (in thousands)	**61,475**	50,000
Basic earnings per share for profit attributable to equity owners of the Company during the year (expressed in RMB per share)	**1.48**	2.57

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the year.

15. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Dividends	**–**	40,000

The final dividend of RMB0.14 in respect of the year ended 31 December 2022 (2021: RMB0.80) per share, amounting to approximately RMB9,379,000 (2021: RMB40,000,000) has been recommended by the Board and will be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

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.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronic equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2021	643	27,188	2,795	1,602	1,755	33,983
Additions	–	5,496	331	231	4,761	10,819
Disposals/written-off	–	(4,249)	(544)	(157)	(184)	(5,134)
At 31 December 2021	643	28,435	2,582	1,676	6,332	39,668
Additions	–	4,583	331	402	17,883	23,199
Acquired through business combination	–	182	64	4,135	–	4,381
Disposals/written–off	–	(1,076)	(70)	(382)	–	(1,528)
At 31 December 2022	643	32,124	2,907	5,831	24,215	65,720
Depreciation and impairment						
At 1 January 2021	101	14,895	1,871	1,037	418	18,322
Provided for the year	21	4,064	152	155	1,837	6,229
Eliminated on disposals/ written-off	–	(3,790)	(473)	(136)	(63)	(4,462)
At 31 December 2021	122	15,169	1,550	1,056	2,192	20,089
Provided for the year	21	5,211	146	260	6,709	12,347
Eliminated on disposals/written-off	–	(711)	(51)	(330)	–	(1,092)
At 31 December 2022	143	19,669	1,645	986	8,901	31,344
Carrying values						
At 31 December 2022	500	12,455	1,262	4,845	15,314	34,376
At 31 December 2021	521	13,266	1,032	620	4,140	19,579

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income (Note 8):

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cost of sales	**9,340**	5,269
Administrative expenses	**2,327**	926
Selling and marketing expenses	**680**	34
	12,347	6,229

No property, plant and equipment were restricted or pledged for the Group's borrowings as at 31 December 2022 and 2021.

17. INTANGIBLE ASSETS

	Software *RMB'000*	Customer relationships (a) *RMB'000*	Goodwill (b) *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2021	2,683	39,053	76,729	118,465
Additions	1,639	–	–	1,639
At 31 December 2021	4,322	39,053	76,729	120,104
Additions	4,971	–	–	4,971
Acquired through business combinations	127	56,535	112,178	168,840
At 31 December 2022	9,420	95,588	188,907	293,915
Depreciation and impairment				
At 1 January 2021	156	202	–	358
Provided for the year	699	4,846	–	5,545
At 31 December 2021	855	5,048	–	5,903
Provided for the year	1,825	8,110	–	9,935
At 31 December 2022	2,680	13,158	–	15,838
Carrying values				
At 31 December 2022	6,740	82,430	188,907	278,077
At 31 December 2021	3,467	34,005	76,729	114,201

During the year ended 31 December 2022, the Group acquired Zhejiang Zhongdu Property Management Co., Ltd. ("**Zhejiang Zhongdu**") and Hunan Jindian Property Management Co., Ltd. ("**Hunan Jindian**") for a consideration of RMB79,500,000 and RMB61,700,000 respectively (Note 32). The acquisitions were accounted for as business combinations. Customer relationships of RMB30,600,000 and RMB18,174,000 were recognised for Zhejiang Zhongdu and Hunan Jindian respectively. Goodwill of RMB64,665,000 and RMB41,041,000 were allocated to Zhejiang Zhongdu and Hunan Jindian respectively.

17. INTANGIBLE ASSETS *(Continued)*

On 1 April 2022, the Group obtained the control power of Mianyang Ruisheng Property Management Co., Ltd. ("**Mianyang Ruisheng**") with the arrangement detailed in Note 19(b). The deemed acquisition was accounted for as a business combination. Customer relationships of RMB7,760,000 was recognised. Goodwill of RMB6,472,000 was allocated to Mianyang Ruisheng.

Amortisation expenses of the intangible assets of RMB9,935,000 and RMB5,545,000 were charged to "Administration expenses" in the years ended 31 December 2022 and 2021 respectively in the consolidated statements of comprehensive income (Note 8).

(a) Customer relationships

	2022	2021
	RMB'000	*RMB'000*
Hubei Zhonghe Century Property Management Co., Ltd.* ("**Hubei Zhonghe**")	**866**	1,015
Chongqing Shengdu Property Management Co., Ltd.* ("**Chongqing Shengdu**")	**2**	2
GSN Property Service Co., Ltd.* ("**GSN**")	**18,525**	21,612
Guangxi Dongyuan Shengkang Logistics Management Services Co., Ltd. ("**Guangxi Shengkang**")	**9,751**	11,376
Mianyang Ruisheng	**7,178**	–
Hunan Jindian	**17,038**	–
Zhejiang Zhongdu	**29,070**	–
	82,430	34,005

* For identification purposes only

(b) Impairment tests for goodwill arising from business combinations Goodwill arose from acquisition of subsidiaries:

As at 31 December 2022, goodwill of RMB1,031,000, RMB62,273,000, RMB13,425,000, RMB6,472,000, RMB41,041,000 and RMB64,665,000 were allocated to the CGUs of Chongqing Shengdu, GSN, Guangxi Shengkang, Mianyang Ruisheng, Hunan Jindian and Zhejiang Zhongdu for impairment testing. The management performed an impairment assessment on the goodwill. The recoverable amount of the property management business operated by Chongqing Shengdu, GSN, Guangxi Shengkang, Mianyang Ruisheng, Hunan Jindian and Zhejiang Zhongdu were assessed by the management and determined based on VIU calculation, using management's cash flow projections for a five-year period.

17. INTANGIBLE ASSETS *(Continued)*

(b) Impairment tests for goodwill arising from business combinations Goodwill arose from acquisition of subsidiaries: *(Continued)*

Management has determined the values assigned to each of the above key assumptions as follows:

Compound annual growth rate of revenue projection period	Average annual growth rate over the five-year during the forecast period; based on past performance and management's expectations of market development
Gross margin (% of revenue)	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the relevant entities.

The following table sets forth each key assumption adopted by the management in its cash flow projections to undertake impairment testing of goodwill as 31 December 2022:

31 December 2022	Chongqing Shengdu	GSN	Guangxi Shengkang	Mianyang Ruisheng	Hunan Jindian	Zhejiang Zhongdu
Compound annual growth rate of revenue during the projection period	0.40%	8.35%	6.31%	3.19%	1.19%	0.17%
Gross margin (% of revenue)	12.00%	18.63%	16.0%	22.01%	26.16%	14.01%
Long-term growth rate	2.00%	2.00%	2.00%	2.00%	2.0%	2.00%
Pre-tax discount rate	17.71%	21.28%	17.22%	26.24%	26.16%	15.42%

As at 31 December 2022, the recoverable amount of RMB1,351,000, RMB83,568,000, RMB59,050,000, RMB20,220,000, RMB64,704,000 and RMB97,138,000 of Chongqing Shengdu, GSN, Guangxi Shengkang, Mianyang Ruisheng, Hunan Jindian and Zhejiang Zhongdu based on VIU calculation exceeded their carrying value of RMB1,064,000, RMB82,546,000, RMB27,646,000, RMB14,901,000, RMB61,976,000 and RMB95,537,000 by RMB287,000, RMB1,022,000, RMB31,404,000, RMB5,319,000, RMB2,728,000 and RMB1,601,000, respectively.

17. INTANGIBLE ASSETS *(Continued)*

(b) Impairment tests for goodwill arising from business combinations Goodwill arose from acquisition of subsidiaries: *(Continued)*

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as at 31 December 2022:

31 December 2022	Chongqing Shengdu	GSN	Guangxi Shengkang	Mianyang Ruisheng	Hunan Jindian	Zhejiang Zhongdu
Annual revenue growth rate	−2.50%	−0.08%	−6.43%	−6.43%	−0.33%	−0.24%
Gross margin (% of revenue)	−1.32%	−0.07%	−4.14%	−4.34%	−0.41%	−0.17%
Pre-tax discount rate	+6.86%	+0.34%	+27.66%	+22.53%	+1.34%	+0.60%

As at 31 December 2021, goodwill of RMB1,031,000, RMB62,273,000, RMB13,425,000 were allocated to the CGUs of Chongqing Shengdu, GSN and Guangxi Shengkang for impairment testing. The management performed an impairment assessment on the goodwill. The recoverable amount of the property management business operated by Chongqing Shengdu, GSN and Guangxi Shengkang were assessed by the management and determined based on VIU calculation, using management's cash flow projections for a five-year period.

The following table sets forth each key assumption adopted by the management in its cash flow projections to undertake impairment testing of goodwill as 31 December 2021:

31 December 2021	Chongqing Shengdu	GSN	Guangxi Shengkang
Compound annual growth rate of revenue during the projection period	5.70%	9.60%	8.39%
Gross margin (% of revenue)	17.62%	20.40%	35.28%
Long-term growth rate	2.50%	2.50%	2.50%
Pre-tax discount rate	14.79%	19.43%	15.92%

As at 31 December 2021, the recoverable amount of RMB6,648,000, RMB127,295,000 and RMB49,642,000 of Chongqing Shengdu, GSN and Guangxi Shengkang based on VIU calculation exceeded their carrying value of RMB1,067,000, RMB86,369,000 and RMB40,127,000 by RMB5,581,000, RMB40,926,000 and RMB9,515,000, respectively.

17. INTANGIBLE ASSETS *(Continued)*

(b) Impairment tests for goodwill arising from business combinations Goodwill arose from acquisition of subsidiaries: *(Continued)*

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as at 31 December 2021:

31 December 2021	**Chongqing Shengdu**	**GSN**	**Guangxi Shengkang**
Annual revenue growth rate	–40%	–12%	–6%
Gross margin (% of revenue)	–52%	–17%	–6%
Pre-tax discount rate	+29%	+4%	+2%

Based on the headroom of the impairment assessments of goodwill as at 31 December 2022 and 31 December 2021, the directors of the Company believed that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill.

18. LEASES

(a) Amounts recognised in the consolidated statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
Office buildings	**7,710**	10,649
Equipment and others	**338**	20
	8,048	10,669
Lease liabilities		
Current	**4,148**	3,854
Non-current	**4,027**	6,520
	8,175	10,374

18. LEASES *(Continued)*

(b) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts relating to leases:

	2022 *RMB'000*	2021 *RMB'000*
Depreciation charge of right-of-use assets *(Note 8)*		
Office buildings	**4,577**	5,356
Equipment and others	**132**	20
	4,709	5,376
Interest expense *(Note 12)*	**439**	682
Expense relating to short-term leases (included in cost of sales and administrative expenses) *(Note 8)*	**11,843**	10,159

(c) Amounts recognised in the consolidated statements of cash flow

The total cash outflow for principal element of lease payments in the years ended 31 December 2022 and 2021 was RMB4,226,000 and RMB6,015,000, respectively.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2022 *RMB'000*	2021 *RMB'000*
Beginning of the year	**24,118**	22,636
Investments in joint ventures and associates	**6,480**	1,530
Deregistration of an associate	**(274)**	–
Share of post-tax profits of joint ventures and associates	**6,931**	7,162
Dividends distribution	**(8,453)**	(7,210)
Change of control *(Note b)*	**(9,028)**	–
End of the year	**19,774**	24,118

The joint ventures and associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Nature of investment in joint ventures and associates as at 31 December 2022 and 2021:

Name of Entity	Place of business/ country of incorporation	% of ownership interest 2022	% of ownership interest 2021	Nature of the relationship	Measurement method
Chongqing Xuyuan Tiancheng Property Management Co., Ltd. ("**Xuyuan Tiancheng**") *(Note a)*	Chongqing/PRC	**49%**	49%	Joint Venture	Equity
Mianyang Ruisheng *(Note b)*	Sichuan/PRC	**50%**	50%	2022: Subsidiary (2021: Joint Venture)	Equity
Zhejiang Dongzhen Property Management Co., Ltd. ("**Zhejiang Dongzhen**") *(Note c)*	Zheijiang/PRC	**–**	36%	Associate	Equity
Xian Dongyuan Aohui Property Management Co., Ltd. ("**Dongyuan Aohui**") *(Note d)*	Shanxi/PRC	**36%**	36%	Associate	Equity
Chengdu Jiulian Property Management Co., Ltd. ("**Chengdu Jiulian**") *(Note e)*	Sichuan/PRC	**51%**	51%	Joint Venture	Equity
Shandong Dongyuan Smart City Service Co., Ltd. ("**Shandong Dongyuan**") *(Note f)*	Shandong/PRC	**51%**	51%	Joint Venture	Equity
Kunming Gaoxin Dongyuan Smart City Service Co., Ltd. ("**Kunming Dongyuan**") *(Note g)*	Yunnan/PRC	**48%**	48%	Associate	Equity
Chengdu Longxing Dowell Property Services Co., Ltd. ("**Chengdu Longxing**") *(Note h)*	Sichuan/PRC	**51%**	–	Joint Venture	Equity

Note a: Xuyuan Tiancheng was established by the Company and an independent third party, Shanghai Yongsheng Property Management Co., Ltd. in March 2016.

Note b: Chongqing Xindongyuan Property Management Co., Ltd. ("**Chongqing Xindongyuan**"), a subsidiary of the Company, acquired 50% shareholding of Mianyang Ruisheng in June 2019. On 1 April 2022, Chongqing Xindongyuan, agreed with a shareholder of Mianyang Ruisheng to obtain a 1% voting right of Mianyang Ruisheng, while the equities are retained by that shareholder. Upon completion of the agreement, Chongqing Xindongyuan owned 51% voting right of Mianyang Ruisheng. According to the Article of Association of Mianyang Ruisheng, shareholder owns over 50% voting right can be able to direct the financial and operating policies of Mianyang Ruisheng and therefore the Directors consider Mianyang Ruisheng has become a subsidiary of the Company (Note 20).

Note c: Zhejiang Dongzhen was established by the Company's subsidiary, Chongqing Xindongyuan, and external third parties, Mr. Zhoudaijun, Mr. Luzhen, Mr. Shengdecai and Mr. Chenzhongxi in June 2020. Zhejiang Dongzhen was deregistered on 3 November 2022.

Note d: Dongyuan Aohui was established by the Company's subsidiary, Chongqing Xindongyuan, and external third parties, Mr. Niuchangyu and Mrs. Liuqiong in October 2020.

Note e: Chengdu Jiulian was established by the Company's subsidiary, Chongqing Xindongyuan, and an external third party, Chengdu Haike Property Management Co., Ltd. in October 2021.

Note f: Shandong Dongyuan was established by the Company's subsidiary, Chongqing Xindongyuan, and external third parties, Weihai Qidun Security Service Co., Ltd. and Changjiang Xietong Innovation Technology Research Institution in November 2021.

Note g: Kunming Dongyuan was established by the Company's subsidiary, Chongqing Xindongyuan, and an external third party, Kunming Gaoxin Industrial Development Co., Ltd. in December 2021.

Note h: Chengdu Longxing was established by the Company's subsidiary, Chongqing Xindongyuan, and an external third party, Chengdu Mengjiang Investment Group Co., Ltd in March 2022.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

All joint ventures and associates are mainly engaged in providing property management services.

There are no commitment or contingent liabilities relating to the Group's interest in its joint ventures and associates as at 31 December 2022 and 2021.

Summarised financial information for material joint ventures and associates

Set out below are the summarised financial information of joint ventures and associates as at 31 December 2022 and 2021, which are accounted for using the equity method.

(a) Summarised financial information of material associates and joint ventures:

(i) Xuyuan Tiancheng

	2022	2021
	RMB'000	*RMB'000*
Current assets	**73,784**	51,763
Non-current assets	**1,753**	1,052
Current liability	**(53,348)**	(32,074)
Net assets	**22,189**	20,741
Net assets at beginning of the year	**20,741**	22,612
Profit for the year	**12,558**	12,843
Dividend distribution	**(11,110)**	(14,714)
Net assets at end of the year	**22,189**	20,741
Group's share in (%)	***49%***	*49%*
Group's share in (amount)	**10,873**	10,163
Carrying amount	**10,873**	10,163
Revenue	**63,460**	52,791
Post-tax profit for the year	**12,558**	12,843
Other comprehensive income for the year	**12,558**	12,843

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Summarised financial information of material associates and joint ventures: *(Continued)*

(ii) Chengdu Jiulian

	2022 *RMB'000*	2021 *RMB'000*
Current assets	**16,755**	3,702
Non-current assets	**1,003**	–
Current liability	**(8,321)**	(405)
Net assets	**9,437**	3,297
Net assets at beginning of the year	**3,297**	3,000
Profit for the year	**2,140**	297
Capital injection	**4,000**	–
Net assets at end of the year	**9,437**	3,297
Group's share in (%)	***51%***	*51%*
Group's share in (amount)	**4,813**	1,681
Carrying amount	**4,813**	1,681
Revenue	**12,230**	784
Post-tax profit for the year	**2,140**	297
Other comprehensive income for the year	**2,140**	297

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(b) Summarised financial information for individually immaterial associates and joint ventures

In addition to the interests in assets and joint ventures disclosed above, the Group also has interests in several individually immaterial associates and joint ventures that are accounted for using the equity method.

	2022	2021
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	**4,088**	275
Aggregate financial information of the Group's associates and joint ventures		
– Net assets	**8,357**	763
– Revenue	**12,462**	–
– Post-tax loss	**(643)**	(4)
– Total comprehensive income	**(643)**	(4)

20. SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 and 2021 are set out below:

Entity name*	**Country/Place and date of incorporation or establishment**	**Paid up/ Registered capital**	**Proportion of issued share capital/ Registered capital held by the Company**		**Principal activities**	**Place of Operation**
		RMB'000	**2022**	2021		
			%	*%*		
Directly held by the Company:						
Chongqing Xindongyuan	PRC/Chongqing, 24/9/2003	100,000/ 100,000	**100**	100	Property management services	Chongqing, PRC
Wuhan Zhonghangshijia Real Estate Management Co. Ltd	PRC/Hubei, 13/7/2017	–/1,000	**100**	100	Real estate marketing services	Hubei, PRC

20. SUBSIDIARIES *(Continued)*

Entity name*	Country/Place and date of incorporation or establishment	Paid up/ Registered capital	Proportion of issued share capital/ Registered capital held by the Company		Principal activities	Place of Operation
		RMB'000	**2022**	2021		
			%	*%*		
Directly held by the Company: (Continued)						
Shanghai Chengfang Property Services Co., Ltd.	PRC/Shanghai, 13/5/2015	3,000/ 3,000	**100**	100	Property management services	Shanghai, PRC
Chongqing Zhonghang Shijia Real Estate Brokerage Co. ' Ltd.	PRC/Chongqing, 12/3/2019	–/5,000	**100**	100	Real estate marketing services	Chongqing, PRC
Chongqing Qicheng Information Technology Co., Ltd	PRC/Chongqing, 11/3/2020	–/5,000	**100**	100	Information technology services	Chongqing, PRC
Chongqing Chengfang Home Decoration Engineering Co., Ltd.	PRC/Chongqing, 12/4/2019	–/10,000	**100**	100	Decoration services	Chongqing, PRC
Chongqing Dongwei Construction Engineering Consulting Co., Ltd.	PRC/Chongqing, 1/7/2019	500/10,000	**100**	100	Construction engineering consulting services	Chongqing, PRC
Shanghai Yuanji Culture Development Co., Ltd.	PRC/Shanghai, 26/9/2017	1,000/ 10,000	**100**	100	Culture development services	Shanghai, PRC
Indirectly held by the Company:						
Sichuan Xindongyuan Property Service Co., Ltd.	PRC/Sichuan, 12/5/2010	13,000/ 13,000	**100**	100	Property management services	Sichuan, PRC
Chongqing Dongguihe Property Management Co., Ltd.	PRC/Chongqing, 20/10/2017	1,000/ 1,000	**100**	100	Property management services	Chongqing, PRC

20. SUBSIDIARIES *(Continued)*

Entity name*	Country/Place and date of incorporation or establishment	Paid up/ Registered capital	Proportion of issued share capital/ Registered capital held by the Company		Principal activities	Place of Operation
		RMB'000	**2022**	2021		
			%	*%*		
Indirectly held by the Company: (Continued)						
Mianyang Yuanzhu Real Estate Management Co., Ltd.	PRC/Sichuan, 18/12/2017	–/1,000	**100**	100	Real estate marketing services	Sichuan, PRC
Chongqing Haoge Mechanical and Electrical Engineering Co., Ltd.	PRC/Chongqing, 6/7/2018	1,000/ 10,000	**100**	100	Construction services	Chongqing, PRC
Zhejiang Dowell Wanhe Property Service Co., Ltd.	PRC/Zhejiang, 31/8/2018	500/ 10,000	**51**	51	Property management services	Zhejiang,
Zhengzhou Donghe Property Management Co., Ltd.	PRC/Henan, 7/9/2018	–/3,000	**70**	70	Property management services	Henan, PRC
Chongqing Shengdu Property Management Co., Ltd.	PRC/Chongqing, 1/11/2006	5,000/ 5,000	**100**	100	Property management services	Chongqing, PRC
Guizhou Dowell Zhongyi Property Management Co., Ltd.	PRC/Guizhou, 6/8/2021	–/5,000	**60**	60	Property management services	Guizhou, PRC
Hubei Zhonghe Century Property Management Co., Ltd.	PRC/Hubei, 3/7/2017	–/3,000	**100**	100	Property management services	Hubei, PRC
Pinxiang Dowell Hongtu Marketing Planning Co., Ltd.	PRC/Jiangxi, 12/3/2020	–/5,000	**100**	100	Marketing planning services	Jiangxi, PRC
Nanchong Dowell Jiaye Property Service Co., Ltd.	PRC/Nanchong, 4/8/2020	1,000/ 1,000	**65**	65	Property management services	Nanchong, PRC

20. SUBSIDIARIES *(Continued)*

Entity name*	Country/Place and date of incorporation or establishment	Paid up/ Registered capital	Proportion of issued share capital/ Registered capital held by the Company		Principal activities	Place of Operation
		RMB'000	**2022**	2021		
			%	*%*		
Indirectly held by the Company: (Continued)						
Guizhou Dowell Yingchuang Property Services Co., Ltd.	PRC/Guizhou, 16/7/2018	100/ 3,000	**55**	55	Property management services	Guizhou, PRC
Luzhou Kuayue Property Management Co., Ltd.	PRC/Sichuan, 17/11/2017	500/ 500	**100**	100	Property management services	Sichuan, PRC
Mianyang Xindongyuan Property Management Co., Ltd.	PRC/Sichuan, 2/7/2020	–/1,000	**100**	100	Property management services	Sichuan, PRC
Chengdu Zhonghang Shijia Real Estate Brokerage Co., Ltd.	PRC/Sichuan, 9/5/2019	–/1,000	**100**	100	Real estate brokerage services	Sichuan, PRC
Chengdu Yuanheng Enterprise Management Co., Ltd.	PRC/Sichuan, 28/10/2021	–/1,000	**100**	100	Enterprise management services	Sichuan, PRC
Chongqing Dowell City Management Service Co., Ltd.	PRC/Chongqing, 11/11/2020	–/5,000	**51**	51	Property management services	Chongqing, PRC
GSN Property Services Co., Ltd.	PRC/Shanghai, 27/5/1996	7,720/ 50,000	**100**	100	Property management services	Shanghai, PRC
Jiangsu Dowell GSN Security Service Co., Ltd.	PRC/Jiangsu, 15/6/2021	–/10,000	**51**	–	Security service	Jiangsu, PRC
Guangxi Dowell Shengkang Logistics Management Service Co., Ltd.	PRC/Guangxi, 13/5/2009	2,000/ 2,000	**51**	51	Hospital management services	Guangxi, PRC

20. SUBSIDIARIES *(Continued)*

Entity name*	Country/Place and date of incorporation or establishment	Paid up/ Registered capital	Proportion of issued share capital/ Registered capital held by the Company		Principal activities	Place of Operation
		RMB'000	**2022**	2021		
			%	*%*		
Indirectly held by the Company: (Continued)						
Yibin Xindongyuan Property Management Co., Ltd.	PRC/Yibin, 1/4/2021	–/1,000	**100**	100	Property management services	Yibin, PRC
Dowell Zhongqing Smart City Service (Yunnan) Co., Ltd.	PRC/Yunnan, 10/5/2022	–/3,000	**51**	–	Property management services	Yunnan, PRC
Zhejiang Zhongdu Property Management Co., Ltd.	PRC/Zhejiang, 6/9/2000	5,000/ 50,000	**100**	–	Property management services	Zhejiang, PRC
Sichuan Nuocheng Cleaning Service Co., Ltd.	PRC/Sichuan, 20/9/2022	–/500	**100**	–	Cleaning service	Sichuan, PRC
Hunan Jindian Property Management Co., Ltd.	PRC/Hunan, 27/3/2002	10,000/ 10,000	**80**	–	Property management services	Hunan, PRC
Hunan Yixiang Environmental Landscape Engineering Co., Ltd.	PRC/Hunan, 17/6/2022	–/10,000	**100**	–	Environmental landscape engineering services	Hunan, PRC
Zhejiang Dowell Renzhi Urban Operation Service Co., Ltd.	PRC/Zhejiang, 17/10/2022	1,300/ 10,000	**65**	–	Property management services	Zhejiang, PRC
Kunming Yuanji Community Service Co., Ltd.	PRC/Kunming, 18/12/2019	1,000/ 1,000	**100**	–	Community services	Kunming, PRC

20. SUBSIDIARIES *(Continued)*

Entity name*	Country/Place and date of incorporation or establishment	Paid up/ Registered capital	Proportion of issued share capital/ Registered capital held by the Company		Principal activities	Place of Operation
		RMB'000	**2022** **%**	2021 *%*		
Indirectly held by the Company: (Continued)						
Chongqing Mengqian Culture Development Co., Ltd.	PRC/Chongqing, 11/8/2021	–/1,000	**100**	–	Culture development services	Chongqing, PRC
Nanjing Mengqian Nursery Co., Ltd.	PRC/Nanjing, 12/8/2021	–/1,000	**100**	–	Nursery	Nanjing, PRC
Hangzhou Mengqian Culture Development Co., Ltd.	PRC/Hangzhou, 25/8/2021	–/1,000	**100**	–	Culture development services	Hangzhou, PRC
Mianyang Ruisheng Property Services Co., Ltd.	PRC/Sichuan, 2/6/1998	3,000/ 3,000	**50**	–	Property management services	Sichuan, PRC
Mianyang Huirui Yijia Real Estate Brokerage Co., Ltd.	PRC/Sichuan, 6/7/2020	–/1,000	**100**		Real estate brokerage services	Sichuan, PRC
Sichuan Dowell Kaiyue Property Management Services Co., Ltd.	PRC/Sichuan, 23/2/2021	1,000/ 1,000	**51**	–	Property management services	Sichuan, PRC

* The English names of certain subsidiaries referred to above represent the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

21. FINANCIAL INSTRUMENTS BY CATEGORY

	2022	2021
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost		
– Trade, bills and other receivables *(Note 22)*	**599,620**	417,860
– Dividends receivables	**7,024**	2,580
– Cash and cash equivalents *(Note 25)*	**220,381**	249,162
	827,025	669,602
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables *(Note 30)*	**247,990**	180,793
– Accruals and other payables (excluding non-financial liabilities) *(Note 30)*	**162,827**	150,576
– Dividends payables *(Note 15)*	**–**	45,267
– Lease liabilities *(Note 18)*	**8,175**	10,374
	418,992	387,010
Financial liabilities at FVPL *(Note 39)*	**4,000**	6,000
	422,992	393,010

22. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade and bills receivables		
Trade receivable due from related parties *(Note 36(d))*	289,235	215,347
Trade receivable due from third parties	309,562	188,237
Bills receivable due from related parties *(Note 36(d))*	547	–
	599,344	403,584
Less: provision for impairment of trade and bills receivables	(34,092)	(10,710)
	565,252	392,874
Other receivable		
Other receivable due from related parties *(Note 36(d)(e))*	1,427	819
Other receivable due from third parties		
– Payments on behalf of property owners (i)	6,319	6,758
– Deposits	15,173	9,388
– Advances to employees	5,162	3,635
– Others	7,281	4,738
	35,362	25,338
Less: provision for impairment of other receivable	(994)	(352)
	34,368	24,986
	599,620	417,860

(i) As at 31 December 2022 and 2021, the amounts represented the payments on behalf of property owners in respect utilities costs (mostly) of the properties.

	2022 RMB'000	2021 RMB'000
Less than 1 year	479,386	344,378
1 to 2 years	97,200	47,157
2 to 3 years	13,979	6,018
Over 3 years	8,779	6,031
	599,344	403,584

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

As at 31 December 2022, the Group's maximum exposure to credit risk was the carrying value of each class of trade, bills and other receivables mentioned above less RMB59,090,000 of trade receivables secured by certain of commercial properties pledged by a related party (2021: no commercial properties pledged).

The impairment provision has taken into account the credit quality of the underlying assets, the financial strength of the borrowers as well as collateral and other credit enhancements.

As at 31 December 2022, trade and bills receivables consisted of RMB540,254,000 unsecured (2021: RMB403,584,000) and RMB59,090,000 secured (2021: Nil). The Group has not recognised a loss allowance for trade and bills receivables amounting to RMB59,090,000 (2021: Nil) which are secured by collateral. The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty. As at 31 December 2022, the net carrying amount of trade and bills receivables amounts to RMB565,252,000 (2021: RMB392,874,000). The Group is entitled to sell or repledge collateral when there is default by the customers. There have not been any significant changes in the quality of collateral held for trade and bills receivables. The main type of collateral obtained is the commercial properties located in the PRC.

Management requests additional collateral as appropriate and monitors the market value of collateral during its review of the adequacy of the impairment allowance.

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

It is the Group's policy to dispose of repossessed properties. The proceeds are used to reduce or repay the outstanding balances. In general, the Group does not retain repossessed properties for business purposes. As at 31 December 2022, the Group did not hold any repossessed properties (2021: Nil).

In respect of the secured trade receivables with the carrying amount of RMB59,090,000 (2021: Nil), the fair value of collateral of such trade receivables can be objectively ascertained to cover the outstanding amount of balances based on market value of collateral.

As at 31 December 2022 and 2021, the fair values of short-term trade and other receivables approximated their carrying amounts due to their short-term maturities.

23. INVENTORIES

	2022 RMB'000	2021 RMB'000
Parking spaces	**40,132**	46,440
Consumables	**5,239**	5,947
	45,371	52,387
Less: provision for impairment of inventories	**(5,339)**	(564)
	40,032	51,823

24. PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Prepayments to third parties		
– Prepaid listing expense	**–**	21,520
– Prepaid other taxes	**5,263**	7,841
– Prepaid utility expenses	**8,504**	3,579
– Prepaid other operating expenses	**11,518**	12,312
	25,285	45,252
Less: non-current portion of prepayments	**(4,216)**	(2,562)
	21,069	42,690

25. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash at banks	**220,303**	249,011
Cash on hand	**748**	151
Less: restricted cash	**(670)**	–
	220,381	249,162

Cash and cash equivalents of the Group were denominated in RMB and HK$.

As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk was the carrying value of cash at banks mentioned above.

26. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**564**	954
Right-of-use assets		**929**	2,241
Intangible assets		**405**	236
Deferred income tax assets		**6,606**	6,465
Investments accounted for using the equity method		**11,239**	10,163
Investments in subsidiaries	*20*	**57,903**	57,905
		77,646	77,964
Current assets			
Trade and other receivables		**8,807**	17,911
Amounts due from subsidiaries		**356,841**	189,617
Dividends receivables		**54,124**	49,680
Prepayments		**720**	23,046
Cash and cash equivalents		**38,234**	71,471
		458,726	351,725
Current liabilities			
Trade payables		**3,138**	1,768
Accruals and other payables		**9,050**	17,016
Current income tax liabilities		**69**	61
Contract liabilities		**2,619**	9,479
Dividends payables		**–**	45,267
Lease liabilities		**911**	1,342
Amounts due to subsidiaries		**227,946**	242,410
		243,733	317,343
Net current assets		**214,993**	34,382
Total assets less current liabilities		**292,639**	112,346
Non-current liabilities			
Lease liabilities		**–**	949
Net assets		**292,639**	111,397
Capital and reserves			
Share capital	*27*	**66,991**	50,000
Reserves	*28*	**129,365**	15,873
Retained earnings		**96,283**	45,524
Total equity		**292,639**	111,397

Zhang Aiming	**Fan Dong**
Director	*Director*

27. SHARE CAPITAL AND PAID-IN CAPITAL

	At 31 December 2022		At 31 December 2021	
	Number	**Amount**	Number	Amount
	'000	***RMB'000***	*'000*	*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

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

	Number	**Amount**
	'000	*RMB'000*
As at 1 January 2021, 31 December 2021 and 1 January 2022	50,000	50,000
Issuance of new shares upon listing *(Note (i))*	16,667	16,667
Exercise of the over-allotment option *(Note (ii))*	324	324
As at 31 December 2022	66,991	66,991

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 on 24 May 2022 accordingly. The total gross proceeds received by the Company in connection with over-allotment were approximately RMB3,181,000 (equivalent to HK$3,858,000), of which RMB324,200 was credited to the Company's share capital account. The remaining proceeds of RMB2,857,000 were credited to the Company's share premium account.

28. RESERVES

The Group	Merger reserve (a)	Statutory reserve (b)	Share-based payment reserve	Capital reserve	Share premium	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	47,232	14,928	911	3,271	–	66,342
Employee share option scheme						
– Value of employee service *(Note 29)*	–	–	1,667	–	–	1,667
Transfer from retained earnings to statutory reserve	–	17,683	–	–	–	17,683
At 31 December 2021 and 1 January 2022	47,232	32,611	2,578	3,271	–	85,692
Issue of new shares upon listing	–	–	–	–	150,727	150,727
Expenses attributed to issuance of new shares upon listing	–	–	–	–	(45,808)	(45,808)
Exercise of over-allotment option in relation to initial public offer	–	–	–	–	2,933	2,933
Transfer from retained earnings to statutory reserve	–	18,826	–	–	–	18,826
At 31 December 2022	47,232	51,437	2,578	3,271	107,852	212,370

The Company	Statutory reserve (b)	Share-based payment reserve	Capital reserve	Share premium	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As 1 January 2021	5,216	669	2,834	–	8,719
Employee share option scheme					
– Value of employee service	–	1,516	–	–	1,516
Transfer from retained earnings to statutory reserve	5,638	–	–	–	5,638
As 31 December 2021 and 1 January 2022	10,854	2,185	2,834	–	15,873
Issue of new shares upon listing	–	–	–	150,727	150,727
Expenses attributed to issuance of new shares upon listing	–	–	–	(45,808)	(45,808)
Exercise of over-allotment option in relation to initial public offer	–	–	–	2,933	2,933
Transfer from retained earnings to statutory reserve	5,640	–	–	–	5,640
At 31 December 2022	16,494	2,185	2,834	107,852	129,365

28. RESERVES *(Continued)*

a) The merge reserves represent the difference for the original paid-in capital contributed to the purchase consideration paid for business combinations under common control.

b) In accordance with relevant rules and regulations in the PRC, the PRC Group entities are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective Group entities.

29. SHARE-BASED PAYMENTS

Dima Holdings restricted shares schemes ("**RSUs**"):

On 24 August 2020, Dima Holdings announced a RSUs and granted a total of 3,300,000 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, Dima Holdings and its subsidiaries should fulfill the target increase rate of net profit ratio and the employees should also fulfill their personal KPI targets, RSUs are exercisable during the following periods:

Granted percentage	Number of shares granted	Vesting conditions	Exercisable date
1st tranche 50%	1,650,000	Net profit for the year ended 31 December 2020 increased by at least 50% based on the weighted average of net profit for the years ended 31 December 2017, 2018 and 2019	25 August 2021 to 24 August 2022
2nd tranche 50%	1,650,000	Net profit for the year ended 31 December 2021 increased by at least 50% based on the weighted average of net profit for the years ended 31 December 2018, 2019 and 2020	25 August 2022 to 24 August 2023
	3,300,000		

The total fair value of the RSUs granted as at the grant date determined based on the stock price of Dima Holdings (RMB3.05 each) less subscription price (RMB1.48 each) is approximately RMB5,181,000 (RMB1.57 each).

29. SHARE-BASED PAYMENTS *(Continued)*

The Groups recognises the share-based payment expenses, net of estimated forfeitures, over the vesting term of the RSUs.

There are no share-based payment expenses charged to the consolidated statement of comprehensive income during the year ended 31 December 2022 for RSUs (2021: RMB1,667,000).

A summary of activities of the performance-based RSUs is presented as follows:

	Number of RSUs	**Grant date fair value**
Unvested as of 1 January 2021	3,300,000	1.57
Vested	(1,650,000)	1.57
Unvested as of 1 January 2022	1,650,000	1.57
Forfeited/cancelled	(1,650,000)	1.57
Unvested as of 31 December 2022	–	–

On 30 August 2022, Dima Holdings announced that Dima Holdings and its subsidiaries could not fulfill the targets increase rate of net profit ratio, the board of directors of Dima Holdings approved to repurchase the unvested restricted shares at RMB1.40 per share, the Dima Holdings restricted shares scheme was cancelled on 2 September 2022.

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

30. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables		
Trade payables due to related parties *(Note 36(d))*	**14,342**	2,884
Trade payables due to third parties		
– Payables for labor costs	**182,074**	139,885
– Payables for construction costs	**25,623**	24,128
– Payables for consumables	**25,951**	13,896
	247,990	180,793
Accruals and other payables		
Accruals and other payables due to related parties *(Note 36(d)(e))*	**16,202**	7,924
Accruals and other payables due to third parties		
– Outstanding cash consideration payable for business combinations	**56**	8,943
– Employee benefit payables	**80,313**	77,779
– Deposits	**58,293**	49,410
– Temporary receipts from property owners	**27,818**	30,719
– Other taxes payables	**21,334**	26,287
– Dividend payable to the original shareholders of the acquired subsidiaries	**–**	5,515
– Dividend payable to the non-controlling interest of a subsidiary	**5,386**	–
– Cash collected on behalf of property owners	**45,775**	41,135
– Accrued operating expenses	**7,963**	6,460
– Others	**492**	470
	263,632	254,642

30. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES *(Continued)*

As at 31 December 2022 and 2021, the ageing analysis of the trade payables of the Group based on invoice date is as follows:

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**218,475**	161,345
1 to 2 years	**24,900**	18,314
2 to 3 years	**4,615**	932
Over 3 years	**–**	202
	247,990	180,793

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The analysis of deferred income tax assets and liabilities is as follows:

	2022	2021
	RMB'000	*RMB'000*
Deferred income tax assets	**15,360**	9,937
Net-off with deferred tax liabilities	**(2,049)**	(1,501)
	13,311	8,436
Deferred income tax liabilities	**(17,240)**	(10,543)
Net-off with deferred tax assets	**2,049**	1,501
	(15,191)	(9,042)

The net movement in deferred income tax assets and liabilities is as follows:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**(606)**	398
Credited/(charged) to the consolidated statements of comprehensive income *(Note 13)*	**7,324**	(1,004)
Business combinations *(Note 32)*	**(8,598)**	–
At the end of the year	**(1,880)**	(606)

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES *(Continued)*

Deferred income tax assets

	Share-based payments	Tax losses	Impairment losses	Leases	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	6,185	3,944	1,499	5	11,633
Credited/(charged) to the consolidated statement of comprehensive income	430	(2,702)	556	20	(1,696)
At 31 December 2021	6,615	1,242	2,055	25	9,937
(Charged)/credited to the consolidated statement of comprehensive income	(127)	(1,052)	6,593	9	5,423
At 31 December 2022	6,488	190	8,648	34	15,360

Deferred income tax liabilities

	Accelerated tax depreciation	Intangible assets	Leases	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	(1,810)	(9,425)	–	(11,235)
(Charged)/charged to the consolidated statement of comprehensive income	(447)	1,211	(72)	692
At 31 December 2021	(2,257)	(8,214)	(72)	(10,543)
Acquisition of subsidiaries	(118)	(8,480)	–	(8,598)
Credited to the consolidated statement of comprehensive income	307	1,522	72	1,901
At 31 December 2022	(2,068)	(15,172)	–	(17,240)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2022 and 2021, there was no unrecognised deferred income tax.

32. BUSINESS COMBINATIONS

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

(i) Zhejiang Zhongdu

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

	Book value	**Adjustment**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	242	441	683
Intangible assets	–	30,600	30,600
Long-term prepayments	517	–	517
Deferred income tax assets	23	–	23
Inventories	147	–	147
Trade and other receivables	13,139	(38)	13,101
Prepayments	1,136	(42)	1,094
Cash and cash equivalents	5,749	–	5,749
Trade payables	(2,903)	–	(2,903)
Accruals and other payables	(18,531)	–	(18,531)
Contract liabilities	(11,001)	–	(11,001)
Deferred income tax liabilities	–	(4,644)	(4,644)
Total net assets	(11,482)	26,317	14,835
Fair value of consideration paid			
Cash consideration			79,500
Goodwill *(Note 17 (b))*			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.

32. BUSINESS COMBINATIONS *(Continued)*

(a) *(Continued)*

(i) Zhejiang Zhongdu *(Continued)*

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

The goodwill recognised will not be deductible for tax purposes.

Zhejiang Zhongdu has contributed revenue of RMB61,981,000 and net profit of RMB4,282,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,386,801,000 and group profit for the year would have been RMB95,092,000.

(ii) Hunan Jindian

On 23 June 2022, the Group acquired 80% of the voting equity instruments of Hunan Jindian, a company whose principal activity is provision of property management services, including but not limited to cleaning, washing and disinfection services, furniture installation and maintenance services and computer and office equipment maintenance services. The principal reason for this acquisition was conducive to integrating the advantages of the Group and Hunan Jindian, lowering operating costs, improving management efficiency and improving profitability in the overlapped business areas in the future.

32. BUSINESS COMBINATIONS *(Continued)*

(a) *(Continued)*

(ii) ***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 and cash equivalents	4,815	–	4,815
Restricted bank balance	670	–	670
Trade payables	(135)	–	(135)
Accruals and other payables	(12,151)	–	(12,151)
Lease liabilities	(413)	–	(413)
Contract liabilities	(471)	–	(471)
Deferred income tax liabilities	–	(2,790)	(2,790)
Total net assets	10,014	15,808	25,822
Less: non-controlling interests			(5,163)
Net assets acquired			20,659
Fair value of consideration paid			
Cash consideration			61,700
Goodwill *(Note 17 (b))*			41,041

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

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

The goodwill recognised will not be deductible for tax purposes.

Hunan Jindian has contributed revenue of RMB40,550,000 and net profit of RMB6,379,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,372,120,000 and group profit for the year would have been RMB93,861,000.

32. BUSINESS COMBINATIONS *(Continued)*

(b) Mianyang Ruisheng

On 1 April 2022, Chongqing Xindongyuan, agreed with a shareholder of a joint venture, Mianyang Ruisheng to obtain a 1% voting right of the Mianyang Ruisheng which the shares are owned by another shareholder. After the arrangement, Chongqing Xindongyuan owned 51% voting right. According to the Article of Association of Mianyang Ruisheng, shareholders own over 50% voting right can be able to direct the financial and operation of Mianyang Ruisheng and therefore the Directors consider Mianyang Ruisheng has become a subsidiary of the Company.

The principal reason for this acquisition was conducive to integrating the advantages of the Group and Mianyang Ruisheng, lowering operating costs, improving management efficiency and improving profitability in the overlapped business areas in the future.

	Book value *RMB'000*	**Adjustment** *RMB'000*	**Fair value** *RMB'000*
Property, plant and equipment	232	–	232
Intangible assets	–	7,760	7,760
Long-term prepayments	1,049	–	1,049
Deferred income tax assets	2	–	2
Inventories	28	–	28
Trade and other receivables	5,040	–	5,040
Cash and cash equivalents	16,252	–	16,252
Trade payables	(1,591)	–	(1,591)
Accruals and other payables	(6,363)	–	(6,363)
Contract liabilities	(9,785)	–	(9,785)
Deferred income tax liabilities	–	(1,164)	(1,164)
Total net assets	4,864	6,596	11,460
Less: non-controlling interests			(5,730)
Net assets acquired			5,730
Fair value of consideration paid			
Cash consideration			–
Carrying amount of previously held equity interest *(Note 19)*			9,028
Gain on re-measurement of previously held equity interest *(Note 11)*			3,174
Fair value of previously held equity interest			12,202
Goodwill *(Note 17 (b))*			6,472

32. BUSINESS COMBINATIONS *(Continued)*

(b) Mianyang Ruisheng *(Continued)*

Acquisition costs of RMB45,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

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

The goodwill recognised will not be deductible for tax purposes.

Mianyang Ruisheng has contributed revenue of RMB23,116,000 and net profit of RMB3,421,000 to the Group since the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, group revenue would have been RMB1,348,232,000 and group profit for the year would have been RMB94,412,000.

(c) Net cash outflows arising on the acquisition transactions:

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

33. NON-CONTROLLING INTERESTS

Guangxi Shengkang, a 51% (2021: 51%) owned subsidiary of the Company, Mianyang Ruisheng, a 50% owned subsidiary (2021: a joint venture) of the Company and Hunan Jindian, a 80% owned subsidiary of the Company, has material non-controlling interest ("**NCI**"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered not to be material.

Summarised financial information in relation to the NCI of Guangxi Shengkang, Mianyang Ruisheng and Hunan Jindian, before intra-group eliminations, is presented below:

	Guangxi Shengkang		Mianyang Ruisheng		Hunan Jindian	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Summarised statement of comprehensive income						
Revenue	**72,773**	43,498	**23,116**	–	**40,550**	–
Profit for the year	**2,730**	1,911	**2,926**	–	**5,387**	–
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**2,730**	1,911	**2,926**	–	**5,387**	–
Profit allocated to NCI	**1,338**	936	**1,463**	–	**1,077**	–
Dividend paid to NCI	**740**	–	**1,304**	–	**–**	–
Summarised cashflows						
Cash flows from/(used in) operating activities	**3,194**	4,282	**8,637**	–	**(1,510)**	–
Cash flows used in investing activities	**–**	(593)	**(512)**	–	**(222)**	–
Cash flows (used in)/from financing activities	**(1,896)**	–	**(3,968)**	–	**3,739**	–
Net cash inflows	**1,298**	3,689	**4,157**	–	**2,007**	–
Summarised statement of financial position						
Current assets	**38,565**	17,831	**25,218**	–	**34,208**	–
Non-current assets	**4,594**	2,434	**1,264**	–	**4,280**	–
Current liabilities	**(33,763)**	(14,007)	**(20,500)**	–	**(22,095)**	–
Net assets	**9,396**	6,258	**5,982**	–	**16,393**	–
Accumulated non-controlling interests	**8,442**	7,844	**6,194**	–	**6,242**	–

34. CASH FLOW INFORMATION

(a) Cash Generated from operations

	Notes	2022 RMB'000	2021 RMB'000
Profit before income tax expense		**110,081**	154,039
Adjustments for:			–
– Depreciation of property, plant and equipment	*16*	**12,347**	6,229
– Depreciation of investment properties		**–**	98
– Amortisation of intangible assets	*17*	**9,935**	5,545
– Depreciation of right-of-use assets	*18*	**4,709**	5,376
– Loss on disposal of property, plant and equipment	*11*	**240**	372
– Gains on disposal of investment properties		**–**	(133)
– (Gains)/losses on disposal of right-of-use assets	*11*	**(6)**	76
– Gain on re-measurement of previously held equity interest	*11*	**(3,174)**	–
– Bad debts written off and provision for impairment of trade and bills receivables		**23,465**	3,473
– Provision for impairment of other receivables		**642**	49
– Provision for impairment of inventories	*8*	**4,775**	–
– Interest expense on bank borrowings	*12*	**–**	174
– Interest expense on factoring arrangements	*12*	**97**	177
– Interest expense on lease liabilities	*12*	**439**	682
– Share of results of investment in joint ventures and associates	*19*	**(6,931)**	(7,162)
– Share-based payments	*29*	**–**	1,667
Operating profit before changes in working capital:		**156,619**	170,662
Changes in working capital			
– Increase in trade, bills and other receivables		**(173,537)**	(143,356)
– Decrease/(increase) in prepayments		**1,154**	(16,119)
– Increase in contract costs		**(3,166)**	(3,708)
– (Increase)/decrease in contract assets		**(1,131)**	11,348
– Decrease in inventories		**7,206**	1,702
– Increase in trade payables		**62,568**	46,164
– (Decrease)/increase in accruals and other payables		**(23,457)**	19,048
– Increase in contract liabilities		**12,503**	76,623
Cash generated from operations		**38,759**	162,364

34. CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activites

	Distribution to shareholder	Bank borrowings	Amounts due to related parties	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	(1,000)	11,000	5,335	18,117	33,452
Cash flows					
– Inflow from financing activities	–	–	45,224	–	(45,224)
– Outflow from financing activities	–	(11,351)	(50,196)	(6,697)	(68,224)
Non-cash changes					
– Early termination	–	–	–	(1,728)	(1,728)
– Accrued interest expenses	–	352	–	682	1,033
At 31 December 2021 and 1 January 2022	(1,000)	–	363	10,374	9,737
Cash flows					
– Outflow from financing activities	–	–	(363)	(4,665)	(5,028)
Non-cash changes					
– Early termination	–	–	–	(607)	(607)
– New lease entered	–	–	–	2,634	2,634
– Accrued interest expenses	–	–	–	439	439
At 31 December 2022	(1,000)	–	–	8,175	7,175

35. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments related to short term leases or leases of low-valued assets under non-cancellable operating leases are as follows:

	2022 RMB'000	2021 RMB'000
Less than 1 year	5,813	8,498
Later than 1 year and no later than 5 years	–	30
	5,813	8,528

36. RELATED PARTY TRANSACTIONS

(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 year.

Name of related parties	Relationship with the Group
Dima Group	Ultimate holding company and its subsidiaries
Chengdu Dexin Dongyi Real Estate Co., Ltd.	Associate of Dima Holdings
Chengdu Wangpu Licheng Real Estate Development Co., Ltd.	Associate of Dima Holdings
Chengdu Yifeng Tiancheng Real Estate Co., Ltd.	Associate of Dima Holdings
Chongqing Dongyujin 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 Zhiyuan Chengfang Real Estate Development Co., Ltd.	Associate of Dima Holdings
Hangzhou Ruicheng Real Estate Co., Ltd.	Associate of Dima Holdings
Henan Rongtian Real Estate Development Co., Ltd.	Associate of Dima Holdings
Nanjing Junyuan 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
Chongqing Dongbo Zhihe Real Estate Development Co., Ltd	Joint venture of Dima Holdings
Chongqing Dongbo Zhihe Real Estate Development Co., Ltd.	Joint venture of Dima Holdings
Chongqing Dongyinyuan Real Estate Development Co., Ltd.	Joint venture of Dima Holdings
Chongqing Lidong Integration Real Estate Development Co., Ltd	Joint venture of Dima Holdings

36. RELATED PARTY TRANSACTIONS *(Continued)*

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

Name of related parties	**Relationship with the Group**
Chongqing Nanan District Biheyuan Real Estate Development Co., Ltd.	Joint venture of Dima Holdings
Chongqing Shengzi Real Estate Development Co., Ltd.	Joint venture of Dima Holdings
Chongzhou Zhongye Ruixing Real Estate Development Co., Ltd.	Joint venture of Dima Holdings
Hangzhou Nanguang Real Estate Co., Ltd.	Joint venture of Dima Holdings
Mianyang Hongyuan Lingyue Real Estate Development Co., Ltd.	Joint venture of Dima Holdings
Sichuan Shuangma Mianyang New Material Co., Ltd.	Joint venture of Dima Holdings
Chengdu Jiulian Property Management Co., Ltd.	Joint venture of the Group
Chengdu Longxing Dongyuan Property Service Co., Ltd.	Joint venture of the Group
Chongqing Xuyuan Tiancheng Property Management Co., Ltd.	Joint venture of the Group
Kunming Gaoxin Dongyuan Smart City Service Co., Ltd.	Joint venture of the Group
Shandong Dongyuan Smart City Service Co., Ltd.	Joint venture of the Group
Xian Dongyuan Aohui Property Management Co., Ltd.	Joint venture of the Group
Mianyang Ruisheng	Subisidiary/ Joint venture of the Group (i)
Chongqing Baoxu Commercial Management Co., Ltd.	Other related party (ii)
Chongqing Dongjin Commercial Management Co., Ltd	Other related party (ii)
Jiangsu Jiangdong Diesel Engine Manufacturing Co., Ltd.	Other related party (ii)
Jiangsu Jianghuai Power Co., Ltd.	Other related party (ii)
Jiangsu Nonghua Wisdom Agricultural Technology Co., Ltd.	Other related party (ii)

(i) The company was originally a joint venture of Group and became a subsidiary of the Group on 1 April 2022.

(ii) These companies are ultimately controlled by Chongqing Dongyin Holding Group Co., Ltd. which is a substantial shareholder of Dima Holdings.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties

Other than those related party transactions as disclosed in the Note 29 to the consolidated financial statements, during the year, the Group had the following other significant transactions with related parties.

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

	2022 RMB'000	2021 RMB'000
Property management services		
– Dima Group	**37,122**	35,525
– Joint ventures and associates of Dima Holdings	**415**	5,763
– Joint ventures and associates of the Group	**187**	–
– Other related parties	**4,108**	2,188
	41,832	43,476
Community value-add services		
– Dima Group	**60,083**	105,065
– Joint ventures and associates of Dima Holdings	**4,871**	5,854
– Joint ventures and associates of the Group	**5**	786
– Other related parties	**94**	1,946
	65,053	113,651
Valued-added services to non-property owners		
Preliminary sales and delivery assistance services and pre-delivery consultancy and inspection services		
– Dima Group	**130,114**	182,094
– Joint ventures and associates of Dima Holdings	**11,815**	30,399
– Joint ventures and associates of the Group	**–**	4,604
– Other related parties	**2,742**	700
	144,671	217,797

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

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

	2022	2021
	RMB'000	*RMB'000*
Advance to		
– Dima Group	**–**	155,270
Advance from		
– Dima Group	**–**	45,224
Repayments of advances to		
– Dima Group	**–**	160,270
Repayments of advances from		
– Dima Group	**363**	50,196

(c) Key management compensation

Key management compensation for the year, other than those relating to the emoluments of directors and supervisors being disclosed in Note 37, are set out below:

	2022	2021
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**1,537**	1,147
Social insurance expense and housing benefits	**48**	61
	1,585	1,208

36. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balance with related parties – trade

	2022 *RMB'000*	2021 *RMB'000*
Trade and bills receivables *(Note 22)*		
– Dima Group	**254,752**	177,577
– Joint ventures and associates of Dima Holdings	**32,114**	35,279
– Joint ventures of the Group	**2,098**	2,213
– Other related parties	**818**	278
	289,782	215,347
Contract assets		
– Dima Group	**2,432**	1,301
Other receivables *(Note 22)*		
– Dima Group	**404**	323
– Joint ventures and associates of Dima Holdings	**115**	112
– Joint ventures of the Group	**897**	288
– Other related parties	**11**	95
	1,427	818
Contract liabilities		
– Dima Group	**8,227**	2,879
– Joint ventures and associates of Dima Holdings	**2**	693
	8,229	3,572
Trade payables		
– Dima Group	**14,217**	2,759
– Joint ventures of the Group	**125**	125
	14,342	2,884
Other payables		
– Dima Group	**13,602**	7,491
– Joint ventures and associates of Dima Holdings	**70**	70
– Joint ventures of the Group	**2,525**	–
– Other related parties	**5**	–
	16,202	7,561

36. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Balance with related parties – non-trade

	2022	2021
	RMB'000	*RMB'000*
Other receivables		
– Dima Group	**–**	1
Other payables		
– Dima Group	**–**	363
Dividend receivables		
– Joint ventures of the Group	**7,024**	2,580
Dividend payables		
– Dima Group	**–**	20,416
– Shareholder of the Company	**–**	9,659
	–	30,075

As at 31 December 2022 and 2021, the remaining other receivables were unsecured and interest-free.

Other payables due to related parties were unsecured, interest-free and repayable on demand.

37. BENEFITS AND INTEREST OF DIRECTORS AND SUPERVISORS

(a) Directors' and Supervisors' emoluments

The directors and supervisors received emoluments from the Group (in their role as senior management and an employee before their appointment as directors) for the year ended 31 December 2022 as follows:

Name of Director	Note	Fees	Salaries and bonus	Employee restricted shares	Pensions, housing funds, medical insurances and other social insurances	Other employee benefits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:							
Mr. Heng Qingda	*(i)*	–	3,195	–	124	–	3,319
Mr. Fan Dong	*(i)*	–	2,600	–	53	–	2,653
Mr. Zhang Ai Ming	*(i)*	–	1,417	–	23	–	1,440
Non-executive Directors:							
Ms. Yi Lin	*(ii)*	–	–	–	–	–	–
Mr. Chen Han	*(ii)*	–	–	–	–	–	–
Ms. Luo Shao Ying	*(ii)*	–	–	–	–	–	–
Independent Non-executive Directors:							
Ms. Cai Ying	*(iii)*	148	–	–	–	–	148
Mr. Wang Susheng	*(iii)*	148	–	–	–	–	148
Mr. Sung Deliang	*(iii)*	148	–	–	–	–	148
Supervisors:							
Mr. Wang Jun	*(v)*	–	–	–	–	–	–
Mr. Mao Dun	*(v)*	–	–	–	–	–	–
Ms. Tan Liang	*(iv)*	–	187	–	31	–	218
		444	7,399	–	231	–	8,074

Annual director fee of each independent non-executive directors are HK$250,000 since the Group listed on HKEX. During the year ended 31 December 2022, the independent non-executive directors received emoluments from the Group are HK$500,000 (equivalent to RMB444,000).

37. BENEFITS AND INTEREST OF DIRECTORS AND SUPERVISORS *(Continued)*

(a) Directors' and Supervisors' emoluments *(Continued)*

The directors and supervisors received emoluments from the Group (in their role as senior management and an employee before their appointment as directors) for the year ended 31 December 2021 as follows:

Name of Director	Note	Fees	Salaries and bonus	Employee restricted shares	Pensions, housing funds, medical insurances and other social insurances	Other employee benefits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:							
Mr. Heng Qingda	*(i)*	–	3,592	718	57	83	4,450
Mr. Fan Dong	*(i)*	–	2,900	1,796	11	42	4,749
Non-executive Directors:							
Ms. Yi Lin	*(ii)*	–	–	–	–	–	–
Mr. Chen Han	*(ii)*	–	–	–	–	–	–
Independent Non-executive Directors:							
Ms. Cai Ying	*(iii)*	–	–	–	–	–	–
Mr. Wang Susheng	*(iii)*	–	–	–	–	–	–
Mr. Sung Deliang	*(iii)*	–	–	–	–	–	–
Supervisors:							
Mr. Wang Jun	*(v)*	–	–	–	–	–	–
Mr. Mao Dun	*(v)*	–	–	–	–	–	–
Ms. Tan Liang	*(iv)*	–	167	–	7	20	194
		–	6,659	2,514	75	145	9,393

37. BENEFITS AND INTEREST OF DIRECTORS AND SUPERVISORS *(Continued)*

(a) Directors' and Supervisors' emoluments *(Continued)*

(i) Mr. Heng Qingda was appointed as executive director of the Company on 13 December 2020 while he was resigned on 31 October 2022. Mr. Fan Dong was appointed as executive director of the Company on 3 May 2018. Mr. Zhang Ai Ming was appointed as executive director of the Company on 31 October 2022.

(ii) Ms. Yi Lin and Mr. Chen Han were appointed as non-executive directors of the Company on 13 December 2020. Mr. Chen Han was resigned on 31 October 2022. During the year, the non-executive directors received emoluments from the related parties of the Group. Ms. Luo Shao Ying was appointed as non-executive directors of the Company on 31 October 2022.

(iii) Ms. Cai Ying, Mr. Wang Susheng and Mr. Sung Deliang were appointed as independent non-executive directors of the Company on 13 December 2020. During the year, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of independent non-executive directors.

(iv) Ms. Tan Liang was appointed as supervisors of the Company on 13 December 2020.

(v) Mr. Wang Jun and Mr. Mao Dun were appointed as supervisors of the Company on 13 December 2020.

(b) Directors' retirement benefits

During the years ended 31 December 2022 and 2021, there were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC.

(c) Directors' termination benefits

During the years ended 31 December 2022 and 2021, there were no termination benefits received by the directors.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2022 and 2021, no consideration was provided to or receivable by third parties for making available director's services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 December 2022 and 2021, there were no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities.

37. BENEFITS AND INTEREST OF DIRECTORS AND SUPERVISORS *(Continued)*

(f) Directors' material interests in transactions, arrangements or contracts

Except for mentioned above, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2022 and 2021.

38. CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2022 and 2021.

39. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including: foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group is engaged in the provision of property management services and related value-added services in the PRC with almost all the transactions denominated and settled in RMB, which is the functional currency of the group companies. Therefore, its foreign exchange risk is limited. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

As at 31 December 2022, Foreign currency risk arises from the Group's assets, which were denominated in a currency other than the functional currency at the end of the reporting period are as follows:

	2022	2021
	RMB'000	*RMB'000*
Denominated in HKD		
Cash and cash equivalents	**33,160**	–
Overall net exposure	**33,160**	–

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial Risk Factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

The following table indicates the approximate effect on the profit after income tax expense in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of the reporting period. The appreciation and depreciation of 1% in RMB exchange rate against HKD represents management's assessment of a reasonably possible change in currency exchange rate over the reporting period.

Effect on profit after income tax	**2022**	2021
	RMB'000	*RMB'000*
HKD to RMB		
Appreciation by 1%	**249**	–
Depreciation by 1%	**(249)**	–

As at 31 December 2021, the Group had no material foreign currency denominated assets and liabilities. Therefore, the Group did not have any significant foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not used any derivative to hedge its exposure to interest rate risks.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2022 and 2021, the Group did not have long-term borrowings.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and bills receivables, contract assets, other receivables and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Cash deposits at banks

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

(ii) Contract assets, trade and bills receivables

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets, trade and bills receivables.

The contract assets relate to unbilled work in progress where the payment is not due, therefore the expected loss rate of contract assets is assessed to be minimal.

Trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due, to measure the expected credit losses.

The expected loss rates of trade and bills receivables are based on the payment profiles of sales over a period of 36 months before each year end and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(iii) Other receivables

Other receivables have been assessed for impairment on a collective basis based on different credit risk characteristics. The management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, existing market conditions as well as forward looking estimates at the end of each reporting period. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of counter party and changes in the operating results of the debtor.

Macroeconomic information (such as Consumer Price Index) is incorporated as part of the internal rating model.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking information on macroeconomic factors.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(iv) Impairment of financial assets

As at 31 December 2022 and 2021, the loss allowance provision for the trade receivables due from third parties was determined as follow.

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
As 31 December 2022					
Gross carrying amount – third party trade receivable *(Note 22)* (RMB'000)	**248,567**	**43,913**	**8,303**	**8,779**	**309,562**
Expected loss rate	**2.2%**	**14.3%**	**49.8%**	**72.8%**	
Loss allowance (RMB'000)	**5,590**	**6,283**	**4,138**	**6,391**	**22,402**

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
As 31 December 2021					
Gross carrying amount – third party trade receivable *(Note 22)* (RMB'000)	141,369	34,819	6,018	6,031	188,237
Expected loss rate	0.6%	11.4%	25.3%	72.6%	
Loss allowance (RMB'000)	848	3,961	1,520	4,381	10,710

As at 31 December 2022 and 2021, the loss allowance provision for the trade and bills receivables from related parties was determined as follow.

		2022		2021	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	Gross carrying amount	Loss allowance
Related parties trade and bills receivable *(Note 22)* (RMB'000)	4.0%	**289,782**	**11,690**	215,347	–

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(iv) Impairment of financial assets *(Continued)*

The Group has assessed that there was no significant increase of credit risk for other receivables. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables. As of 31 December 2022 and 2021, the loss allowance provision for other receivables was determined as follow:

Other receivable	Expected loss rate	2022 Gross carrying amount	2022 Loss allowance	2021 Gross carrying amount	2021 Loss allowance
Due from related parties	2.81%	**1,427**	**40**	818	4
Due from third parties					
– Payments on behalf of property owner	2.81%	**6,319**	**178**	6,758	150
– Deposits	2.81%	**15,173**	**426**	9,388	50
– Advance to employees	2.81%	**5,162**	**145**	3,635	93
– Others	2.81%	**7,281**	**205**	4,739	55
		33,935	**954**	24,520	348
		35,362	**994**	25,338	352

The loss allowances for trade, bills and other receivables as at 31 December 2022 and 2021 reconcile to the opening loss allowances as follows:

	Trade receivable *RMB'000*	Bills receivable *RMB'000*	Other receivable *RMB'000*	Total *RMB'000*
As 1 January 2021	7,237	–	303	7,540
Increase in loss allowance recognised in the consolidated statements of comprehensive income during the period	3,473	–	49	3,522
As 31 December 2021	10,710	–	352	11,062
Increase in loss allowance recognised in the consolidated statements of comprehensive income during the period	23,354	28	642	24,024
As 31 December 2022	34,064	28	994	35,086

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The interests on borrowings are calculated based on borrowings held as at 31 December 2022 and 2021 without taking into account any subsequent changes in the amount of borrowings.

	Weighted average effective interest rate	**Carrying amount**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total contractual undiscounted cash flows Total**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As 31 December 2022							
Lease liabilities	**4.42%**	**8,175**	**5,547**	**2,694**	**1,839**	**–**	**10,080**
Trade payable *(Note 30)*		**247,990**	**247,990**	**–**	**–**	**–**	**247,990**
Accruals and other payables (excluding non-financial liabilities) *(Note 30)*		**162,827**	**162,827**	**–**	**–**	**–**	**162,827**
Financial liabilities at FVPL *(Note 39)*		**4,000**	**2,000**	**2,000**	**–**	**–**	**4,000**
Total		**422,992**	**418,364**	**4,694**	**1,839**	**–**	**424,897**

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total contractual undiscounted cash flows Total
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As 31 December 2021							
Lease liabilities	4.50%	10,374	4,579	3,818	3,769	24	12,190
Trade payable *(Note 30)*		180,793	180,793	–	–	–	180,793
Accruals and other payables (excluding non-financial liabilities) *(Note 30)*		150,576	150,576	–	–	–	150,576
Financial liabilities at FVPL *(Note 39)*		6,000	2,000	2,000	2,000	–	6,000
Dividend payable (Note 15)		45,267	45,267	–	–	–	45,267
Total		393,010	383,215	5,818	5,769	24	394,826

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio (net). This ratio is calculated as net debt divided by total equity. Net debt is calculated as the aggregate of total borrowings and lease liabilities less loans to related parties. Total equity is as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2022 and 2021 were as follows:

	2022	2021
	RMB'000	*RMB'000*
Lease liabilities	**8,175**	10,374
Total debt	**8,175**	10,374
Total equity	**485,907**	258,052
Gearing ratio	**1.7%**	4.0%

Fair Value Estimation

(a) Fair value hierarchy

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's liabilities that are measured at fair value at 31 December 2022 and 2021:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As 31 December 2022				
Financial liabilities at FVPL	**–**	**–**	**4,000**	**4,000**

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair Value Estimation *(Continued)*

(a) Fair value hierarchy (Continued)

The following table presents the Group's liabilities that are measured at fair value at 31 December 2022 and 2021: (Continued)

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As 31 December 2021				
Financial liabilities at FVPL	–	–	6,000	6,000

There were no transfers among levels of the fair value hierarchy during the year.

(b) Fair value measurements using significant unobservable inputs (Level 3)

Financial liabilities at FVPL

The Group's financial liabilities at fair value represent contingent consideration payable for business combination on 30 December 2020. For the fair value of contingent consideration related to business combination, if net profit margin and revenue growth rate of the acquired subsidiary – Guangxi Shengkang had been 10% lower for four years ending 31 December 2024 while holding all other assumptions constant, the estimated fair value of contingent consideration would remain unchanged.

40. SUBSEQUENT EVENTS

The Company announced that on 22 February 2023, the Company received the official acceptance letter (the "**Acceptance Letter**") from the China Securities Regulatory Commission ("**CSRC**") "Acceptance Notice of the Application for Administrative Permission from the CSRC" (《中國證監會行政許可申請受理單》) (No. 230198) dated 15 February 2023, pursuant to which the CSRC had accepted the Company's application regarding the implementation of the full circulation of H Shares (the "**Application**"). Pursuant to the Application, the Company has applied for the conversion of 30,510,000 Domestic Shares and 19,490,000 Unlisted Foreign Shares into H Shares and listing thereof on the Stock Exchange.

According to the Acceptance Letter, the application materials were complete and the CSRC had accepted and will process the Application. As at the date of this announcement, the details of the implementation of the H Share Full Circulation, and the Conversion and Listing have not been finalised, and completion thereof is subject to other relevant procedures required by the CSRC, the Stock Exchange and other relevant onshore and offshore regulatory authorities. The Company will make further announcement(s) on the progress of the H Share Full Circulation, and the Conversion and Listing, when appropriate and in accordance with the requirements of the Listing Rules.

The H Share Full Circulation, and the Conversion and Listing are subject to other relevant procedures as required by the CSRC, the Stock Exchange and other domestic and overseas regulatory authorities.

Except for the subsequent event mentioned above, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2022.

FOUR-YEAR FINANCIAL SUMMARY

	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue	559,154	766,802	1,193,423	**1,342,459**
Gross profit	132,690	215,989	308,923	**275,626**
Profit and total comprehensive income for the year attributable to owners of the Company	25,667	84,714	128,720	**90,722**
Total assets	759,468	785,097	964,007	**1,261,449**
Total liabilities	633,808	619,597	705,955	**775,542**
Equity attributable to owners of the Company	125,460	158,835	249,222	**464,787**
Total equity	125,660	165,500	258,052	**485,907**

Note: The H Shares of the Company were listed on the Main Board of the Stock Exchange on 29 April 2022.

DEFINITIONS

"Affiliated Companies"	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 And His Associates (other than the Group and Dima Group)
"Articles of Association"	the articles of association of the Company
"AGM"	the 2022 annual general meeting of the Company
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the Audit Committee of the Board
"Board"	the board of Directors
"Board Committees"	collectively, the Audit Committee, the Remuneration Committee and the Nomination Committee
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman" or "Chairlady"	the chairman or chairlady of the Board
"Chongqing Dongyuan"	Chongqing Xin Dongyuan Property Management Company Limited* (重慶新東原物業管理有限公司) (previously known as Chongqing Dongyuan Jiahemei Property Management Company Limited* (重慶東原嘉合美物業管理有限公司)), a limited liability company established in the PRC and a direct wholly-owned subsidiary of the Company
"Chongqing Doyen"	Chongqing Doyen Holdings Group Co., Ltd.* (重慶東銀控股集團有限公司) (previously known as Chongqing Doyen Industry (Group) Company Limited* (重慶東銀實業(集團)有限公司)), a limited company incorporated in the PRC and a connected person of the Group for the purpose of the Listing Rules
"Chongqing Shuorun"	Chongqing Shuorun Petrochemical Company Limited* (重慶碩潤石化有限責任公司) (previously known as Chongqing Shuorun Trading Company Limited* (重慶碩潤貿易有限責任公司)), a limited company incorporated in the PRC and a connected person of the Group for the purpose of the Listing Rules

"Company"	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 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 ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, collectively refers to Dima, Dima Ruisheng and Tianjin Chengfang
"Co-CEO"	the co-chief executive officer 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 and its shares are listed on the Shanghai Stock Exchange (stock code: 600565.SH), one of the Controlling Shareholders and a connected person of the Company for the purpose of the Listing Rules
"Dima Group"	Dima together with its subsidiaries
"Dima Ruisheng"	Chongqing Dima Ruisheng Co. Ltd.* (重慶迪馬睿升實業有限公司), a limited liability company established in the PRC on 2 April 2018, which is wholly-owned by Dima and one of the Controlling Shareholders and a connected person of our Company for the purpose of the Listing Rules
"Directors"	the directors of the Company
"Dongyuan Real Estate"	Dongyuan Property Development Group Company Limited* (東原房地產開發集團有限公司) (previously known as Chongqing Dongyuan Property Development Group Company Limited* (重慶東原房地產開發集團有限公司)), a limited liability company established in the PRC on 15 September 1999, which is a non-wholly owned subsidiary of Dima
"Final Dividend"	a final cash dividend of RMB0.14 per share (tax inclusive) for the year ended 31 December 2022

DEFINITIONS

"GFA"	gross floor area
"Group"	collectively, the Company and its subsidiaries from time to time
"GTJA Investments"	Guotai Junan Investments (Hong Kong) Limited, a limited liability company incorporated in Hong Kong
"H Shares"	the H shares of the Company with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange
"Harvest Property"	Harvest Property Management Investment Limited (嘉實物業管理投資有限公司), a limited liability company incorporated in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"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, supervisors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associate(s)
"Listing Date"	the date of listing of the H Shares on the Main Board of the Stock Exchange, being 29 April 2022
"Listing Rules"	The Rules Governing the Listing of Securities
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Nomination Policy"	the director nomination policy of the Company
"Non-competition Undertaking"	the non-competition undertaking signed by the Controlling Shareholders on 20 February 2021
"Mr. Lo"	Mr. Lo Siu Yu, a substantial shareholder (as defined under the Listing Rules) of the Company
"Mr. Lo And His Associates"	collectively refers to Chongqing Doyen, Mr. Lo, Ms. Chiu and Chongqing Shuorun. As at the date of this annual report, the shares of Dima were owned as to (i) approximately 35.55% by Chongqing Doyen, which in turn is owned as to approximately 77.78% by Mr. Lo and approximately 22.22% by Ms. Chiu, the spouse of Mr. Lo; (ii) approximately 3.01% by Chongqing Shuorun, which in turn is owned as to 98.96% by Chongqing Doyen and 1.04% by Ms. Chiu; and (iii) approximately 4.46% by Ms. Chiu

"Ms. Chiu"	Ms. Chiu Kit Hung, the spouse of Mr. Lo
"Net Proceeds"	the net proceeds from the global offering of the Company in connection with the listing of the H Shares on the Stock Exchange and partial exercise of over-allotment option as set out in the Prospectus, amounting to approximately HK$139.8 million in total, after deducting the underwriting fees and relevant expenses
"Nomination Committee"	the nomination committee of the Board
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 19 April 2022
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended 31 December 2022
"Shares"	the shares in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares, domestic shares of the Company and unlisted foreign shares of the Company
"Shareholders"	shareholders of the Company
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the supervisors of the Company
"Supervisory Board"	the board of Supervisors
"sq.m"	square metres
"Tianjin Chengfang"	Tianjin Chengfang Corporate Management Consultant Company Limited* (天津澄方企業管理諮詢有限公司), a limited liability company established in the PRC and one of the Controlling Shareholders and a connected person of the Company for the purpose of the Listing Rules
"Tianjin Partnership"	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)), a limited partnership established in the PRC and a connected person of our Company for the purpose of the Listing Rules

DEFINITIONS

"USD"	United States dollar
"%"	per cent