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DOWELL SERVICE GROUP CO. LIMITED*

東原仁知城市運營服務集團股份有限公司

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

(Stock Code: 2352)

DISCLOSEABLE TRANSACTIONS IN RELATION TO THE ACQUISITION OF (1) 100% EQUITY INTERESTS IN ZHEJIANG ZHONGDU; AND (2) 80% EQUITY INTERESTS IN HUNAN JINDIAN; AND CHANGE IN USE OF NET PROCEEDS

ACQUISITION OF 100% EQUITY INTERESTS IN ZHEJIANG ZHONGDU

The Board is pleased to announce that on 23 June 2022 (after trading hours), Chongqing Dongyuan, a direct wholly-owned subsidiary of the Company, Sichuan Donglan and Zhejiang Zhongdu entered into the Zhejiang Zhongdu Acquisition Agreement, pursuant to which Chongqing Dongyuan has conditionally agreed to acquire, and Sichuan Donglan has conditionally agreed to sell, 100% equity interests in Zhejiang Zhongdu at the consideration of RMB79.5 million (equivalent to approximately HK\$93.8 million).

ACQUISITION OF 80% EQUITY INTERESTS IN HUNAN JINDIAN

The Board is pleased to announce that on 23 June 2022 (after trading hours), Chongqing Dongyuan, a direct wholly-owned subsidiary of the Company, Sichuan Donglan, Mr. Zhang and Hunan Jindian entered into the Hunan Jindian Acquisition Agreement, pursuant to which Chongqing Dongyuan has conditionally agreed to acquire, and Sichuan Donglan has conditionally agreed to sell, 80% equity interests in Hunan Jindian at the consideration of RMB61.7 million (equivalent to approximately HK\$72.8 million).

LISTING RULES IMPLICATIONS

As the Group entered into Acquisition Agreements with Sichuan Donglan, such Acquisitions contemplated under the Acquisition Agreements were required to be aggregated pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Acquisitions in aggregate exceeds 5% but is less than 25%, the transactions contemplated under the Acquisition Agreements constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules. Accordingly, the entering into of the Acquisition Agreements are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

ACQUISITION OF 100% EQUITY INTERESTS IN ZHEJIANG ZHONGDU

The Board is pleased to announce that on 23 June 2022 (after trading hours), Chongqing Dongyuan, a direct wholly-owned subsidiary of the Company, Sichuan Donglan and Zhejiang Zhongdu entered into the Zhejiang Zhongdu Acquisition Agreement, pursuant to which Chongqing Dongyuan has conditionally agreed to acquire, and Sichuan Donglan has conditionally agreed to sell, 100% equity interests in Zhejiang Zhongdu at the consideration of RMB79.5 million (equivalent to approximately HK\$93.8 million).

Details of the major terms of the Zhejiang Zhongdu Acquisition Agreement are as follows:

Date: 23 June 2022

Parties:

1. Chongqing Dongyuan, as purchaser;
2. Sichuan Donglan, as vendor; and
3. Zhejiang Zhongdu, as target company.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Sichuan Donglan, and its ultimate beneficial owners, being Zhu Guiqiong (who indirectly holds 51% equity interests in Sichuan Donglan) and Ren Weibi (who indirectly holds 49% equity interests in Sichuan Donglan), are Independent Third Parties.

Assets to be acquired

Pursuant to the Zhejiang Zhongdu Acquisition Agreement, Chongqing Dongyuan has conditionally agreed to acquire and Sichuan Donglan has conditionally agreed to sell 100% of the equity interests in Zhejiang Zhongdu. Immediately prior to the Zhejiang Zhongdu Acquisition, Zhejiang Zhongdu was wholly-owned by Sichuan Donglan.

Consideration

The Zhejiang Zhongdu Consideration, which shall be subject to adjustments in accordance with the terms of the Zhejiang Zhongdu Acquisition Agreement (as disclosed below), payable by Chongqing Dongyuan to Sichuan Donglan in respect of the Zhejiang Zhongdu Acquisition is RMB79.5 million (equivalent to approximately HK\$93.8 million). The Zhejiang Zhongdu Consideration shall be paid in the following manner:

- (a) RMB21.0 million (equivalent to approximately HK\$24.8 million) (“**ZZ First Instalment**”) shall be paid by Chongqing Dongyuan to a bank account designated by Sichuan Donglan within five (5) business days from the date of signing of the Zhejiang Zhongdu Acquisition Agreement;
- (b) RMB21.0 million (equivalent to approximately HK\$24.8 million) (“**ZZ Second Instalment**”) shall be paid by Chongqing Dongyuan to a bank account designated by Sichuan Donglan within five (5) business days after:
 - (i) the payment of the ZZ First Instalment; and
 - (ii) Sichuan Donglan having prepared and submitted all necessary documents for changing Chongqing Dongyuan as the registered sole owner of Zhejiang Zhongdu to the relevant competent PRC authority and have obtained the acceptance receipt from such authority; and
- (c) RMB37.5 million (equivalent to approximately HK\$44.2 million) shall be paid by Chongqing Dongyuan to a bank account designated by Sichuan Donglan within thirty (30) days after:
 - (i) the payment of the ZZ First Instalment and the ZZ Second Instalment; and
 - (ii) completion of all matters to be dealt with on the Zhejiang Zhongdu Completion Date (as further disclosed in the paragraph “Acquisition of 100% equity interests in Zhejiang Zhongdu — Completion” below).

The Zhejiang Zhongdu Consideration shall be adjusted if any liabilities and/or payables which have not been previously disclosed in the Zhejiang Zhongdu Acquisition Agreement are subsequently recorded on the balance sheet of Zhejiang Zhongdu as of the Zhejiang Zhongdu Completion Date, such liabilities and/or payables shall be deducted from the Zhejiang Zhongdu Consideration.

Sichuan Donglan shall provide to Chongqing Dongyuan a balance sheet, prepared on the same basis as with the balance sheet and list of receivables and payables disclosed in the Zhejiang Zhongdu Acquisition Agreement, reflecting the financial position of Zhejiang Zhongdu as at the Zhejiang Zhongdu Completion Date within seven (7) days from the Zhejiang Zhongdu Completion Date. Chongqing Dongyuan shall have the right to provide written requisitions on such financial position within seven (7) business days from obtaining

such balance sheet, failure of which will deem Chongqing Dongyuan having approved of the financial statements provided by Sichuan Donglan. If Chongqing Dongyuan raises any requisitions on the financial statements within the aforesaid timeframe, sufficient reasons must be provided to facilitate discussions between the two parties. If Sichuan Donglan and Chongqing Dongyuan fail to agree on the solutions to resolve the requisitions within seven (7) days thereafter, the parties shall engage a qualified accounting firm to issue its opinion on the relevant requisitions. The costs of such engagement shall be borne by the party the opinion of whom the accounting firm does not support.

For the avoidance of doubt, the Zhejiang Zhongdu Consideration shall not be adjusted if, as at the Zhejiang Zhongdu Completion Date, there are (i) any new assets acquired by Zhejiang Zhongdu; or (ii) cash surplus in Zhejiang Zhongdu which have not been reflected in the financial statements of Zhejiang Zhongdu at the time of entering into of the Zhejiang Zhongdu Acquisition Agreement. Such assets and cash surplus shall be owned by Chongqing Dongyuan.

It is intended that the Zhejiang Zhongdu Consideration will be paid and funded by a combination of the unutilised Net Proceeds and the Group's internal resources.

Basis of consideration

The Zhejiang Zhongdu Consideration was determined after arm's length negotiations between the parties to the Zhejiang Zhongdu Acquisition Agreement on normal commercial terms, taking into consideration of, among other things, (i) the financial performance (i.e. its revenue and net profit for the year ended 31 December 2021) and business prospect (i.e. the opportunity for synergistic development and integration of resources) of Zhejiang Zhongdu; (ii) the market position of Zhejiang Zhongdu in the property management industry in the PRC; (iii) the valuation prepared by an independent valuer on Zhejiang Zhongdu based on market approach; and (iv) other reasons for and benefits of the Zhejiang Zhongdu Acquisition as set out in the section headed "Reasons for and benefits of entering into of the Acquisition Agreements" below.

Conditions precedent

Completion of the Zhejiang Zhongdu Acquisition Agreement is conditional upon the following conditions precedent having been fulfilled or waived (as the case may be):

- (a) Chongqing Dongyuan (i) completing its due diligence on Sichuan Donglan, Zhejiang Zhongdu and projects of Zhejiang Zhongdu; and (ii) is satisfied with the results of such due diligence;
- (b) Sichuan Donglan and Zhejiang Zhongdu have not breached any terms under the Zhejiang Zhongdu Acquisition Agreement; and
- (c) there is no material adverse change in the circumstances of Zhejiang Zhongdu and its projects as disclosed in the Zhejiang Zhongdu Acquisition Agreement.

Chongqing Dongyuan may waive all of the above conditions in part or in full. If all of the above conditions precedent have not been fulfilled or waived by Chongqing Dongyuan in writing within fifteen (15) days from the date of the Zhejiang Zhongdu Acquisition Agreement (or any other date as agreed by the parties to the Zhejiang Zhongdu Acquisition Agreement in writing), Chongqing Dongyuan shall be entitled to unilaterally terminate the Zhejiang Zhongdu Acquisition Agreement. Sichuan Donglan shall refund all Zhejiang Zhongdu Consideration paid as at the date of termination of the Zhejiang Zhongdu Acquisition Agreement within five (5) days after such termination to Chongqing Dongyuan.

Completion

Completion shall take place within three (3) days after completion of Chongqing Dongyuan being the registered sole owner of Zhejiang Zhongdu.

On the Zhejiang Zhongdu Completion Date, Sichuan Donglan shall procure various documents and assets of Zhejiang Zhongdu (“**ZZ Deliverables**”), as agreed under the Zhejiang Zhongdu Acquisition Agreement, to be delivered to the persons designated by Chongqing Dongyuan. Pursuant to the Zhejiang Zhongdu Acquisition Agreement, completion shall be deemed to take place when:

- (a) all equity transfer registration procedures have been completed;
- (b) all the ZZ Deliverables have been delivered;
- (c) the articles of association of Zhejiang Zhongdu have been amended according to the terms of the Zhejiang Zhongdu Acquisition Agreement, and the legal representatives, directors, supervisors and senior management personnel have all been changed to the persons designated by Chongqing Dongyuan, and the corresponding procedures for registration and filing of the industrial and commercial changes have been completed;
- (d) Sichuan Donglan has completed the relevant alteration, repealing and remodelling of the company seal of Zhejiang Zhongdu in accordance with the requirements of Chongqing Dongyuan, and such remodelled seal has been activated after the relevant alteration and repealing procedures have been completed; and
- (e) any other matters in relation to completion of the Zhejiang Zhongdu Acquisition.

Immediately upon completion of the Zhejiang Zhongdu Acquisition, Zhejiang Zhongdu shall be an indirect wholly-owned subsidiary of the Group and the financial results thereof will be consolidated into the consolidated financial statements of the Group.

Financial information

The equity attributable to owners of Zhejiang Zhongdu as at 31 December 2021 amounted to approximately RMB28.3 million (equivalent to approximately HK\$33.4 million).

The unaudited financial information of Zhejiang Zhongdu for the two years ended 31 December 2021 is set out below:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit (before taxation)	7,226	8,249
Net profit (after taxation)	5,419	6,187

ACQUISITION OF 80% EQUITY INTERESTS IN HUNAN JINDIAN

The Board is pleased to announce that on 23 June 2022 (after trading hours), Chongqing Dongyuan, a direct wholly-owned subsidiary of the Company, Sichuan Donglan, Mr. Zhang and Hunan Jindian entered into the Hunan Jindian Acquisition Agreement, pursuant to which Chongqing Dongyuan has conditionally agreed to acquire, and Sichuan Donglan has conditionally agreed to sell, 80% equity interests in Hunan Jindian at the consideration of RMB61.7 million (equivalent to approximately HK\$72.8 million).

Details of the major terms of the Hunan Jindian Acquisition Agreement are as follows:

- Date:** 23 June 2022
- Parties:**
1. Chongqing Dongyuan, as purchaser;
 2. Sichuan Donglan, as vendor;
 3. Mr. Zhang, as shareholder of target company; and
 4. Hunan Jindian, as target company.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Sichuan Donglan, and its ultimate beneficial owners, being Zhu Guiqiong (who indirectly holds 51% equity interests in Sichuan Donglan) and Ren Weibi (who indirectly holds 49% equity interests in Sichuan Donglan); and (ii) Mr. Zhang are Independent Third Parties.

Assets to be acquired

Pursuant to the Hunan Jindian Acquisition Agreement, Chongqing Dongyuan has conditionally agreed to acquire and Sichuan Donglan has conditionally agreed to sell 80% of the equity interests in Hunan Jindian. As at the date of this announcement, Hunan Jindian was owned as to 80% by Sichuan Donglan and 20% by Mr. Zhang. Immediately prior to the Hunan Jindian Acquisition, to the best of the Directors' knowledge and belief

and based on the information provided by Sichuan Donglan, Mr. Zhang and Hunan Jindian, 20% of equity interests in Hunan Jindian held by Mr. Zhang is pledged in favour of Sichuan Donglan.

Consideration

The Hunan Jindian Consideration, which shall be subject to adjustments in accordance with the terms of the Hunan Jindian Acquisition Agreement (as disclosed below), payable by Chongqing Dongyuan to Sichuan Donglan in respect of the Hunan Jindian Acquisition is RMB61.7 million (equivalent to approximately HK\$72.8 million). The Hunan Jindian Consideration shall be paid in the following manner:

- (a) RMB17.0 million (equivalent to approximately HK\$20.1 million) (“**HJ First Instalment**”), shall be paid by Chongqing Dongyuan to a bank account designated by Sichuan Donglan within five (5) business days after:
 - (i) all the conditions precedent (as set out in the paragraph “Acquisition of 80% equity interests in Hunan Jindian — Conditions precedent” below) being fulfilled; and
 - (ii) the Hunan Jindian Acquisition Agreement has been signed by Sichuan Donglan, Mr. Zhang, Hunan Jindian and Chongqing Dongyuan;
- (b) RMB17.0 million (equivalent to approximately HK\$20.1 million) (“**HJ Second Instalment**”), shall be paid by Chongqing Dongyuan to a bank account designated by Sichuan Donglan within five (5) business days after:
 - (i) the payment of the HJ First Instalment; and
 - (ii) Sichuan Donglan and Mr. Zhang having prepared and submitted all necessary documents for changing Chongqing Dongyuan as the registered owner of 80% equity interests in Hunan Jindian to the relevant competent PRC authority and have obtained the acceptance receipt from such authority;
- (c) RMB27.7 million (equivalent to approximately HK\$32.7 million) (“**HJ Third Instalment**”), shall be paid by Chongqing Dongyuan to a bank account designated by Sichuan Donglan within thirty (30) days after:
 - (i) the payment of the HJ First Instalment and the HJ Second Instalment;
 - (ii) completion of all matters to be dealt with on the Hunan Jindian Completion Date (as defined in the paragraph “Acquisition of 80% equity interests in Hunan Jindian — Completion” below); and

- (iii) the balance sheet of Hunan Jindian as at the Hunan Jindian Completion Date being mutually agreed by the parties and determination of the final Hunan Jindian Consideration payable by Chongqing Dongyuan.

The Hunan Jindian Consideration shall be adjusted if any liabilities and/or payables and/or any contingent liabilities arising from existing litigations and arbitrations which have not been previously disclosed in the Hunan Jindian Acquisition Agreement are subsequently recorded on the balance sheet of Hunan Jindian as of the Hunan Jindian Completion Date, such liabilities and/or payables shall be deducted from the Hunan Jindian Consideration.

Sichuan Donglan and Mr. Zhang shall provide to Chongqing Dongyuan a balance sheet, prepared on the same basis as with the balance sheet and list of receivables and payables disclosed in the Hunan Jindian Acquisition Agreement, reflecting the financial position of Hunan Jindian as at the Hunan Jindian Completion Date within ten (10) days from the Hunan Jindian Completion Date. Chongqing Dongyuan shall have the right to provide written requisitions on such financial position within twenty (20) business days from obtaining such balance sheet, failure of which will deem Chongqing Dongyuan having approved of the financial statements provided by Sichuan Donglan and Mr. Zhang. If Chongqing Dongyuan raises any requisitions on the balance sheet within the aforesaid timeframe, sufficient reasons must be provided to facilitate discussions between the parties. If the parties fail to agree on the solutions to resolve the requisitions within twenty (20) business days thereafter (or on further agreement, after a further ten (10) business days), the parties shall engage a qualified accounting firm or valuer to issue its opinion on the relevant requisitions. The adjustment to the Hunan Jindian Consideration will thus be adjusted in accordance with the opinion of such accounting firm or valuer and the costs of such engagement shall be borne by the party the opinion of which the accounting firm or valuer does not support. If the accounting firm or valuer does not support either party's opinion on the financial statements, the costs in relation to such engagement shall be borne by each party in equal shares.

For avoidance of doubt, the Hunan Jindian Consideration shall not be adjusted if, as at the Hunan Jindian Completion Date, there are (i) any new assets acquired by Hunan Jindian; or (ii) cash surplus in Hunan Jindian which have not been reflected in the financial statements of Hunan Jindian at the time of entering of the Hunan Jindian Acquisition Agreement. Such assets and cash surplus shall be owned by Chongqing Dongyuan.

In the event that the Hunan Jindian Consideration shall be adjusted, such adjustment shall be made to the HJ Third Instalment. In particular, if the Hunan Jindian Consideration is adjusted downwards and the Hunan Jindian Consideration to be refunded by Sichuan Donglan is greater than the amount of the HJ Third Instalment to be paid by Chongqing Dongyuan, Sichuan Donglan shall repay such difference within three (3) days from the determination date of the final Hunan Jindian Consideration.

It is intended that the Hunan Jindian Consideration will be paid and funded by a combination of the unutilised Net Proceeds and the Group's internal resources.

Basis of consideration

The Hunan Jindian Consideration was determined after arm's length negotiations between the parties to the Hunan Jindian Acquisition Agreement on normal commercial terms, taking into consideration of, among other things, (i) the financial performance (i.e. its revenue and net profit for the year ended 31 December 2021) and business prospect (i.e. the opportunity for synergistic development and integration of resources) of Hunan Jindian; (ii) the market position of Hunan Jindian in the property management industry in the PRC; (iii) the valuation prepared by an independent valuer on Hunan Jindian based on market approach; and (iv) other reasons for and benefits of the Hunan Jindian Acquisition as set out in the section headed "Reasons for and benefits of entering into of the Acquisition Agreements" below.

Performance Guarantee

Pursuant to the Hunan Jindian Acquisition Agreement, Sichuan Donglan and Mr. Zhang have given guarantee of the financial performance of Hunan Jindian (including its revenue and net profit and their respective growth rate) for the three years ending 31 December 2024 ("**Performance Guarantee**"). Such Performance Guarantee guaranteed that, among others:

- (a) the cumulative growth of Hunan Jindian's total revenue and net profit for the three years ending 31 December 2024 shall not be less than 20%;
- (b) the total revenue (net of tax) of Hunan Jindian for the three years ending 31 December 2024 shall not be less than approximately RMB196.8 million (equivalent to approximately HK\$232.2 million); and
- (c) the net profit of Hunan Jindian for the three years ending 31 December 2024 shall not be less than approximately RMB20.3 million (equivalent to approximately HK\$24.0 million).

For the avoidance of doubt, the Performance Guarantee does not represent the expected level of future profits of Hunan Jindian, neither does it constitute a profit forecast under Rule 14.61 of the Listing Rules.

Pursuant to the Hunan Jindian Acquisition Agreement, the parties shall determine whether the Performance Guarantee has been fulfilled by 30 April 2025 ("**Performance Guarantee Determination Date**"). If the parties confirm that such Performance Guarantee has been fulfilled, Chongqing Dongyuan shall within ten (10) business days after the Performance Guarantee Determination Date assist Mr. Zhang with any formalities in relation to the release of the pledge of Mr. Zhang's 20% equity interests in Hunan Jindian. If Chongqing

Dongyuan fails to assist Mr. Zhang with such formalities, Chongqing Dongyuan shall pay liquidated damages to Mr. Zhang equivalent to 0.05% of the Hunan Jindian Consideration for each day of delay.

Compensation in relation to non-fulfilment of the Performance Guarantee

If any of the Performance Guarantee cannot be met, Chongqing Dongyuan shall be entitled to claim from Mr. Zhang the higher of the following compensation amount (“**Compensation Amount**”):

- (a) (approximately RMB196.8 million (equivalent to approximately HK\$232.2 million) (i.e. the Performance Guarantee in relation to the total revenue (net of tax)) – the actual total revenue (net of tax) for the three years ending 31 December 2024) x 80% (i.e. the percentage of equity interests acquired by Chongqing Dongyuan) x 10.29% (i.e. the guaranteed net profit margin) x 10.26 (i.e. the guaranteed price-to-earning ratio); or
- (b) (approximately RMB20.3 million (equivalent to approximately HK\$24.0 million) (i.e. the Performance Guarantee in relation to the net profit) – the actual net profit for the three years ending 31 December 2024) x 80% (i.e. the percentage of equity interests acquired by Chongqing Dongyuan) x 10.26 (i.e. the guaranteed price-to-earning ratio).

If the Compensation Amount is negative or zero, Mr. Zhang is not required to pay any compensation. In any event, the Compensation Amount shall not exceed RMB13.0 million (equivalent to approximately HK\$15.3 million).

After determining the Compensation Amount, if any, Mr. Zhang shall enter into a compensatory equity transfer agreement (“**Hunan Jindian Compensatory Equity Transfer Agreement**”) with Chongqing Dongyuan to settle the Compensation Amount with his equity interests in Hunan Jindian.

The proportion of equity interests in Hunan Jindian to be transferred shall be calculated with reference to:

$$\begin{array}{l} \text{Compensation Amount} \quad \div \quad \text{RMB13.0 million} \quad \times \quad 20\% \\ \\ \text{(i.e. the agreed} \quad \quad \quad \text{(i.e. the percentage of} \\ \text{maximum} \quad \quad \quad \text{equity interests held by} \\ \text{Compensation Amount} \quad \text{Mr. Zhang)} \\ \text{payable)} \end{array}$$

Accordingly, if the Hunan Jindian Compensatory Equity Transfer Agreement is to be entered into, Mr. Zhang's equity interests in Hunan Jindian shall be correspondingly reduced.

The Company shall re-comply with the applicable requirements under the Listing Rules if and as required under the Listing Rules when determining the Compensation Amount and entering into the Hunan Jindian Compensatory Equity Transfer Agreement, if any, after the Performance Guarantee Determination Date.

Conditions precedent

Completion of the Hunan Jindian Acquisition Agreement is conditional upon the following conditions precedent having been fulfilled or waived (as the case may be):

- (a) Chongqing Dongyuan (i) completing its due diligence on Sichuan Donglan, Mr. Zhang, Hunan Jindian and projects of Hunan Jindian; and (ii) is satisfied with the results of such due diligence;
- (b) the shareholder(s) of Hunan Jindian having waived their pre-emptive rights and obtaining the shareholder(s) resolutions which approve the sale of 80% of the equity interests in Hunan Jindian to Chongqing Dongyuan;
- (c) Sichuan Donglan, Mr. Zhang and Hunan Jindian have not breached any terms under the Hunan Jindian Acquisition Agreement;
- (d) there is no material adverse change in the circumstances of Hunan Jindian and its projects as disclosed in the Hunan Jindian Acquisition Agreement;
- (e) within thirty (30) days from signing of the Hunan Jindian Acquisition Agreement, (i) the pledge against Mr. Zhang's 20% equity interests in Hunan Jindian in favour of Sichuan Donglan be released; (ii) Mr. Zhang voluntarily entering into a new pledge agreement against his 20% equity interests in Hunan Jindian in favour of Chongqing Dongyuan; and (iii) Mr. Zhang assisting Chongqing Dongyuan to complete the registration procedure in relation to such new pledge; and

- (f) Mr. Zhang having signed a non-competition undertaking, to the satisfaction of Chongqing Dongyuan, undertaking not to carry on similar businesses to Hunan Jindian from the date of signing of the Hunan Jindian Acquisition Agreement.

Chongqing Dongyuan may waive all of the above conditions in part or in full. If all of the above conditions precedent have not been fulfilled or waived by Chongqing Dongyuan in writing, (except if such failure to fulfil the above conditions precedent were due to reasons out of Sichuan Donglan and Mr. Zhang's control (such as force majeure, COVID-19 or delay in obtaining government approval)), within sixty (60) days after the date of the Hunan Jindian Acquisition Agreement, Chongqing Dongyuan shall be entitled to unilaterally terminate the Hunan Jindian Acquisition Agreement. If Chongqing Dongyuan exercises its right to unilaterally terminate the Hunan Jindian Acquisition Agreement, Sichuan Donglan shall immediately refund to Chongqing Dongyuan all payment(s) which has been made by Chongqing Dongyuan to Sichuan Donglan.

Completion

Completion shall take place within three (3) days after completion of Chongqing Dongyuan being registered as the owner of 80% equity interests in Hunan Jindian.

On the Hunan Jindian Completion Date, Sichuan Donglan and Mr. Zhang shall procure various documents and assets of Hunan Jindian ("**HJ Deliverables**"), as agreed under the Hunan Jindian Acquisition Agreement, to be delivered to the persons designated by Chongqing Dongyuan.

Pursuant to the Hunan Jindian Acquisition Agreement, completion shall be deemed to take place when:

- (a) all equity transfer registration procedures have been completed;
- (b) all the HJ Deliverables have been delivered;
- (c) the articles of association of Hunan Jindian have been amended according to the terms of the Hunan Jindian Acquisition Agreement, and the legal representatives, directors, supervisors and senior management personnel have all been changed to the persons designated by Chongqing Dongyuan, and the corresponding procedures for registration and filing of the industrial and commercial changes have been completed;
- (d) Sichuan Donglan and Mr. Zhang having completed the relevant alteration, repealing and remodelling of the company seal of Hunan Jindian in accordance with the requirements of Chongqing Dongyuan, and such remodelled seal has been activated after the relevant alteration and repealing procedures have been completed; and
- (e) any other matters in relation to completion of the Hunan Jindian Acquisition.

Immediately upon completion of the Hunan Jindian Acquisition, Hunan Jindian shall be an indirect non-wholly owned subsidiary of the Group. Hunan Jindian will be held as to 80% by the Group and 20% by Mr. Zhang and the financial results thereof will be consolidated into the consolidated financial statements of the Group.

Financial information

The equity attributable to owners of Hunan Jindian as at 31 December 2021 amounted to approximately RMB12.1 million (equivalent to approximately HK\$14.3 million).

The unaudited financial information of Hunan Jindian for the two years ended 31 December 2021 is set out below:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit (before taxation)	7,525	7,570
Net profit (after taxation)	5,644	5,834

INFORMATION ON THE GROUP AND CHONGQING DONGYUAN

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

Chongqing Dongyuan is a company established in the PRC with limited liability in 2003. As at the date of this announcement, it is a direct wholly-owned subsidiary of the Company and is one of its principal operating subsidiaries. Chongqing Dongyuan is principally engaged in the provision of property management services.

INFORMATION ON SICHUAN DONGLAN AND MR. ZHANG

Sichuan Donglan is a company established in the PRC with limited liability in 2021. As at the date of this announcement, its ultimate beneficial owners, being Zhu Guiqiong (who indirectly holds 51% equity interests in Sichuan Donglan) and Ren Weibi (who indirectly holds 49% equity interests in Sichuan Donglan), are Independent Third Parties. It is principally engaged in the provision of property management services.

As at the date of this announcement, Mr. Zhang holds 20% equity interests in Hunan Jindian.

INFORMATION ON ZHEJIANG ZHONGDU

Zhejiang Zhongdu is a company established in the PRC with limited liability in 2000. Immediately prior to the Zhejiang Zhongdu Acquisition, it is wholly-owned by Sichuan Donglan, an Independent Third Party.

Zhejiang Zhongdu is headquartered in Hangzhou, Zhejiang province, the PRC and is principally engaged in the provision of property management services, including but not limited to housekeeping services, cleaning, washing and disinfection services and construction management services.

As at 31 March 2022, Zhejiang Zhongdu had a total GFA under management of approximately 4.8 million sq.m., inclusive of 25 residential property projects and 12 non-residential property projects, such as schools, government buildings, commercial properties, conference centres, etc., located at Hangzhou city, Jiangshan city and Wenzhou city of Zhejiang province of the PRC. The revenue of Zhejiang Zhongdu for the year ended 31 December 2021 was approximately RMB86.2 million (equivalent to approximately HK\$101.7 million). For the year ended 31 December 2021, Zhejiang Zhongdu recorded a net profit margin of approximately 7.2%. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there were no existing encumbrances on Zhejiang Zhongdu, nor did it have any substantial borrowings.

INFORMATION ON HUNAN JINDIAN

Hunan Jindian is a company established in the PRC with limited liability in 2002. Immediately prior to the Hunan Jindian Acquisition, it is owned as to 80% by Sichuan Donglan and 20% by Mr. Zhang, both of whom are Independent Third Parties.

Hunan Jindian is headquartered in Changsha, Hunan province, the PRC and is principally engaged in the 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.

As at 31 March 2022, Hunan Jindian had a total GFA under management of approximately 7.7 million sq.m., inclusive of 41 non-residential property projects, such as schools, hospitals, banks, government buildings, parks, commercial properties, etc., located at Wuhan city of Hubei province of the PRC, Changsha city, Zhuzhou city, Ningxiang city, Xiangtan city of Hunan province of the PRC. The revenue of Hunan Jindian for the year ended 31 December 2021 was approximately RMB68.2 million (equivalent to approximately HK\$80.5 million). For the year ended 31 December 2021, Hunan Jindian recorded a net profit margin of approximately 8.6%. Immediately prior to the Hunan Jindian Acquisition, save for the 20% equity interests in Hunan Jindian held by Mr. Zhang pledged in favour of

Sichuan Donglan, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there were no existing encumbrances on Hunan Jindian, nor did it have any substantial borrowings.

CHANGE IN USE OF NET PROCEEDS

Reference is made to the Prospectus. As disclosed in the section headed "Future plans and use of proceeds — Use of proceeds" in the Prospectus, the Group intended to use approximately 65.0% of the Net Proceeds for the purpose of expanding its property portfolio and business scale through strategic investments, cooperation and acquisition. In particular, according to the timeframe disclosed in the Prospectus, the Group had planned to use: (a) approximately 31.25% and 4.45% of the Net Proceeds to expand its property portfolio through the acquisition of non-residential property companies between (i) July 2022 and December 2022 and (ii) January 2023 and June 2023, respectively; and (b) approximately 17.50% and 11.80% of the Net Proceeds to expand its property portfolio through the acquisition of residential property management companies between (i) January 2023 and June 2023 and (ii) July 2023 and December 2023, respectively. As at the date of this announcement, the Group has not utilised any of the Net Proceeds.

As the Net Proceeds from the Global Offering was approximately HK\$50.0 million less than anticipated, the proportion of Net Proceeds attributable to the acquisition of residential and non-residential properties as disclosed in the Prospectus was proportionally reduced. Due to such reduction in the anticipated Net Proceeds, the Board resolved to, together with the use of internal resources of the Group, utilise all of the abovementioned 65.0% of the Net Proceeds (in the manner disclosed in the Prospectus) at an earlier timeframe for settlement of the the Zhejiang Zhongdu Consideration and the Hunan Jindian Consideration by the end of 2022.

The Board is of the view that the change in the use of Net Proceeds will not have any material adverse impact on the existing business and operations of the Group. The Board further confirms that the change in the use of the Net Proceeds is fair and reasonable and in the best interest of the Group and the Shareholders as such change in Net Proceeds would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group.

The Board confirms that, save for the change in the use of the Net Proceeds for the purpose of expanding its property portfolio and business scale, there are no other changes to the use of Net Proceeds as at the date of this announcement. 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.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS AND REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AGREEMENTS

Considering the overall performance and credentials of Zhejiang Zhongdu and Hunan Jindian, and based on actual market conditions, the Group considers it would be beneficial to enter into the Acquisition Agreements at an earlier time period. In particular, based on the property portfolio and financial performance of each of Zhejiang Zhongdu and Hunan Jindian, the Group considers both companies, which are principally engaged in residential property management businesses and non-residential property management businesses, respectively, have substantially met the acquisition criteria set out in the section headed “Future plans and use of proceeds — Use of proceeds” in the Prospectus. In addition, there is a high degree of overlap in business areas between the Group’s projects and those of Zhejiang Zhongdu and Hunan Jindian, which is conducive to integrating the advantages of each parties, lowering operating costs, improving management efficiency and improving profitability in the overlapped business areas in the future. The Acquisitions will also further enhance the Group’s influence and competitiveness in the market, contribute to its long-term steady growth and create better returns for the Shareholders. The Directors are of the view that the Acquisitions represent good opportunities for the Group to expand its geographic coverage and service offerings.

The Board has approved the Acquisition Agreements, and the Directors (including the independent non-executive Directors) have also confirmed that, although the Acquisition Agreements are not in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreements are fair and reasonable, are on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Group entered into Acquisition Agreements with Sichuan Donglan, such Acquisitions contemplated under the Acquisition Agreements were required to be aggregated pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Acquisitions in aggregate exceeds 5% but is less than 25%, the transactions contemplated under the Acquisition Agreements constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules. Accordingly, the entering into of the Acquisition Agreements are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition Agreements”	the Hunan Jindian Acquisition Agreement and the Zhejiang Zhongdu Acquisition Agreement
“Acquisitions”	the Hunan Jindian Acquisition and the Zhejiang Zhongdu Acquisition
“Board”	the board of Directors
“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 on 24 September 2003 and a direct wholly-owned subsidiary of the Company
“Company”	東原仁知城市運營服務集團股份有限公司 (DOWELL SERVICE GROUP CO. LIMITED*), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“GFA”	gross floor area
“Global Offering”	the global offering of the Company in connection with the listing of the H shares of the Company on the Stock Exchange as set out in the Prospectus
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Jindian”	Hunan Jindian Property Management Co., Ltd.* (湖南金典物業管理有限公司), a company established in the PRC with limited liability
“Hunan Jindian Acquisition”	the acquisition of 80% equity interests in Hunan Jindian pursuant to the Hunan Jindian Acquisition Agreement

“Hunan Jindian Acquisition Agreement”	the equity transfer and cooperation agreement dated 23 June 2022 and entered into between Chongqing Dongyuan, Sichuan Donglan, Mr. Zhang and Hunan Jindian in relation to, among others, the Hunan Jindian Acquisition
“Hunan Jindian Completion Date”	the date of completion of the Hunan Jindian Acquisition, which shall be within three (3) days after completion of Chongqing Dongyuan being an 80% owner of Hunan Jindian
“Hunan Jindian Consideration”	the consideration of RMB61.7 million (equivalent to approximately HK\$72.8 million) for the Hunan Jindian Acquisition (subject to adjustments in accordance with the terms of the Hunan Jindian Acquisition Agreement)
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Liqun, being the equity holder of 20% of equity interests in Hunan Jindian as at the date of this announcement
“Net Proceeds”	net proceeds from the Global Offering, amounted to approximately HK\$139.8 million
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 19 April 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholders of the Company
“Sichuan Donglan”	Sichuan Donglan Business Management Co., Ltd.* (四川東藍商業管理有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square meters

“Zhejiang Zhongdu”	Zhejiang Zhongdu Property Management Co., Ltd.* (浙江中都物業管理有限公司), a company established in the PRC with limited liability
“Zhejiang Zhongdu Acquisition”	the acquisition of 100% equity interests in Zhejiang Zhongdu pursuant to the Zhejiang Zhongdu Acquisition Agreement
“Zhejiang Zhongdu Acquisition Agreement”	the equity transfer agreement dated 23 June 2022 and entered into between Chongqing Dongyuan, Sichuan Donglan, and Zhejiang Zhongdu in relation to the Zhejiang Zhongdu Acquisition
“Zhejiang Zhongdu Completion Date”	the date of completion of Zhejiang Zhongdu Acquisition, which shall be within three (3) days after completion of Chongqing Dongyuan being the registered sole owner of Zhejiang Zhongdu
“Zhejiang Zhongdu Consideration”	the consideration of RMB79.5 million (equivalent to approximately HK\$93.8 million) for the Zhejiang Zhongdu Acquisition (subject to adjustments in accordance with the terms of the Zhejiang Zhongdu Acquisition Agreement)

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

The PRC, 23 June 2022

For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.18.

As at the date of this announcement, the Board comprises Mr. Heng Qingda and Mr. Fan Dong as executive Directors, Ms. Yi Lin and Mr. Chen Han as non-executive Directors, and Ms. Cai Ying, Mr. Wang Susheng and Mr. Song Deliang as independent non-executive Directors.

* *For identification purpose only*