Onewo Inc.
萬物雲空間科技服務股份有限公司

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

(Stock Code: 2602)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

HIGHLIGHTS

For the year ended December 31, 2023, the Group's total revenue amounted to RMB33,183.5 million, representing a year-on-year increase of 10.2%.

For the year ended December 31, 2023, the Group's gross profit amounted to RMB4,811.8 million, representing a year-on-year increase of 13.7%. Gross profit margin was 14.5%, representing a year-on-year increase of 0.4 percentage point.

For the year ended December 31, 2023, revenue of recurring businesses[Note 1] amounted to RMB26,664.8 million, representing a year-on-year increase of 14.2%, accounting for 80.4% of revenue, representing a year-on-year increase of 2.8 percentage points. Gross profit of recurring businesses amounted to RMB3,395.2 million, gross profit margin was 12.7%, representing a year-on-year increase of 1.2 percentage points.

For the year ended December 31, 2023, the profit for the year amounted to RMB2,035.8 million, representing an increase of 28.3%. Net cash flows from operating activities for the year amounted to RMB2,586.2 million, and the ratio of net operating cash flow to net profit[Note 2] was 1.3 times.

For the year ended December 31, 2023, core net profit[Note 3] was RMB2,339.6 million, representing an increase of 29.8% as compared to which in FY2022.

For the year ended December 31, 2023, earnings per share attributable to shareholders for the year amounted to RMB1.66. The Board proposes to distribute profits to shareholders accounting 55% of the core net profit for the year ended December 31, 2023. The profit distribution for the year is RMB1.092 per share (including an interim dividend paid of RMB0.315 per share (including tax)), and the final dividend payable to shareholders for the year ended December 31, 2023 is RMB0.777 per share (including tax).

Indicators (RMB million)	For the year ended December 31, 2023	For the year ended December 31, 2022	Year-on-year amount of change	Year-on-year rate of change
Total revenue	33,183	30,106	3,077	10.2%
Gross profit	4,812	4,231	581	13.7%
Profit for the year	2,036	1,587	449	28.3%
Core net profit	2,340	1,803	537	29.8%

Note 1: Recurring businesses refer to the residential property management services under the Group's community space living consumption services, the property and facility management business under the commercial and urban space integrated services, and the BPaaS solution business under the AIoT and BPaaS solution services

Note 2: The ratio of net operating cash flow to net profit refers to the ratio of net cash flow from operating activities to profit during the year

Note 3: Core net profit is the profit for the year generated by operating business activities, which is calculated after deducting the amortization of customer relationships for intangible assets arising from historical acquisitions, gains/losses on equity transaction, gains/losses on the disposal of fixed assets, government grants, credit impairment losses, asset impairment losses and its related income tax effect from the profit for the year

The board of directors (the "**Directors**") (the "**Board**") of Onewo Inc. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2023 ("**Reporting Period**").

FINANCIAL INFORMATION

The following financial information is a summary of the Group's consolidated financial statements for the year ended December 31, 2023:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
REVENUE	5	**33,183,458**	30,105,803
Cost of sales		**(28,371,691)**	(25,875,053)
Gross profit		**4,811,767**	4,230,750
Other income and gains, net	6	**719,923**	570,614
Selling and distribution expenses		**(497,375)**	(450,316)
Administrative expenses		**(2,073,304)**	(2,153,461)
Impairment losses on financial assets, net		**(271,003)**	(156,037)
Finance costs		**(8,538)**	(11,228)
Share of profits and losses of joint ventures and associates		**(23,649)**	(9,549)
PROFIT BEFORE TAX	7	**2,657,821**	2,020,773
Income tax expense	8	**(621,992)**	(433,521)
PROFIT FOR THE YEAR		**2,035,829**	1,587,252
Attributable to:			
Shareholders of the Company		**1,954,696**	1,511,649
Non-controlling interests		**81,133**	75,603
		2,035,829	1,587,252
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY, IN RMB			
Basic and diluted	10	**1.66**	1.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**2,035,829**	1,587,252
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**–**	11,759
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**–**	(11,759)
	–	–
Exchange differences:		
Exchange differences on translation of foreign operations	**(162)**	355
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(162)**	355
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(98,111)**	(586,631)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(98,111)**	(586,631)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(98,273)**	(586,276)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,937,556**	1,000,976
Attributable to:		
Shareholders of the Company	**1,856,423**	925,373
Non-controlling interests	**81,133**	75,603
	1,937,556	1,000,976

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**678,625**	666,151	500,639
Investment properties		**548,290**	579,912	657,110
Right-of-use assets		**353,683**	231,058	253,086
Intangible assets	*11*	**7,981,176**	8,506,987	8,244,089
Investments in joint ventures and associates		**1,413,676**	1,739,177	1,813,232
Equity investments designated at fair value through other comprehensive income		**812,719**	910,830	1,497,461
Financial assets at fair value through profit or loss		**976**	976	976
Deferred tax assets		**207,037**	150,302	114,361
Prepayments, deposits and other receivables	*13*	**2,501,888**	2,388,804	1,992,483
Total non-current assets		**14,498,070**	15,174,197	15,073,437
CURRENT ASSETS				
Inventories		**56,054**	69,950	261,296
Trade and retention receivables	*12*	**6,781,100**	6,277,903	4,514,273
Prepayments, deposits and other receivables	*13*	**1,912,396**	1,697,854	1,697,630
Financial assets at fair value through profit or loss		**–**	–	3,664
Restricted bank deposits		**390,446**	376,188	305,250
Time deposits with original maturity of over three months		**172,568**	21,830	495,713
Cash and cash equivalents		**15,572,483**	13,345,063	6,430,557
Total current assets		**24,885,047**	21,788,788	13,708,383
CURRENT LIABILITIES				
Trade and notes payables	*14*	**5,764,491**	5,319,717	3,243,250
Financial liabilities at fair value through profit or loss		**–**	191,792	191,792
Contract liabilities		**4,681,194**	4,514,977	4,167,711
Other payables and accruals	*15*	**7,148,543**	6,839,543	7,821,982
Interest-bearing bank borrowings		**–**	–	11,500
Lease liabilities		**99,772**	109,438	100,938
Tax payable		**988,559**	738,077	744,715
Total current liabilities		**18,682,559**	17,713,544	16,281,888
NET CURRENT ASSETS/(LIABILITIES)		**6,202,488**	4,075,244	(2,573,505)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000* (Restated)	1 January 2022 *RMB'000* (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,700,558**	19,249,441	12,499,932
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings		**–**	–	4,087
Other payables and accruals	*15*	**1,130,927**	963,769	815,539
Provision		**146,910**	117,283	72,874
Lease liabilities		**251,589**	124,106	149,609
Deferred tax liabilities		**950,891**	1,042,779	1,145,880
Total non-current liabilities		**2,480,317**	2,247,937	2,187,989
Net assets		**18,220,241**	17,001,504	10,311,943
EQUITY				
Equity attributable to shareholders of the Company				
Share capital	*16*	**1,178,469**	1,178,469	1,050,420
Other reserves		**16,426,957**	15,281,727	8,842,353
		17,605,426	16,460,196	9,892,773
Non-controlling interests		**614,815**	541,308	419,170
Total equity		**18,220,241**	17,001,504	10,311,943

1. CORPORATE AND GROUP INFORMATION

Onewo Inc. (the "Company") was incorporated in the People's Republic of China ("PRC") on 20 February 2001 as a limited liability company. On 20 March 2018, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC.

During the year, the Group was involved in the following principal activities:

- Community space living consumption services
- Commercial and urban space integrated services
- AIoT and BPaaS solution services

In the opinion of the directors, the ultimate holding company of the Company is China Vanke Co., Ltd. (the "China Vanke"), a public company established in the PRC with its shares listed on Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial liability at fair value through profit or loss, derivative financial instruments and equity investments designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statements of financial position:

	Increase/(decrease)		
	As at 31 December 2023	As at 31 December 2022	As at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Deferred tax assets	**83,945**	53,163	57,554
Total non-current assets	**83,945**	53,163	57,554
Total assets	**83,945**	53,163	57,554
Liabilities			
Deferred tax liabilities	**84,504**	52,641	58,189
Total non-current liabilities	**84,504**	52,641	58,189
Total liabilities	**84,504**	52,641	58,189
Net assets	**(559)**	522	(635)
Equity			
Retained profits (included in other reserves)	**(553)**	487	(672)
Equity attributable to shareholders of the Company	**(553)**	487	(672)
Non-controlling interests	**(6)**	35	37
Total equity	**(559)**	522	(635)

Impact on the consolidated statements of profit or loss:

	Increase/(decrease) For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Income tax expense	**1,081**	(1,157)
Profit for the year	**(1,081)**	1,157
Attributable to:		
Shareholders of the Company	**(1,040)**	1,159
Non-controlling interests	**(41)**	(2)
	(1,081)	1,157
Total comprehensive income for the year	**(1,081)**	1,157
Attributable to:		
Shareholders of the Company	**(1,040)**	1,159
Non-controlling interests	**(41)**	(2)
	(1,081)	1,157

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary shareholders of the Company, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

4. OPERATING SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

During the reporting period, the Group was principally engaged in the provision of community space living consumption services, commercial and urban space integrated services and AIoT and BPaaS solution services in the PRC. Management reviews the operating results of the business as a single operating segment to make decisions about resources to be allocated. Therefore, the executive directors regard that there is only one segment which is used to make strategic decisions.

The principal operating entities of the Group are domiciled in the PRC and majority of revenue is derived in the PRC during the reporting period.

As at 31 December 2023, except for the equity investments designated at fair value through other comprehensive income, majority of the non-current assets of the Group were located in the PRC.

5. REVENUE

Revenue mainly comprises proceeds from community space living consumption services, commercial and urban space integrated services and AIoT and BPaaS solution services. An analysis of the Group's revenue and cost of services by category for the reporting period is as follows:

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Community space living consumption services	**18,738,439**	16,583,191
Commercial and urban space integrated services	**11,664,410**	11,144,209
AIoT and BPaaS solutions	**2,780,609**	2,378,403
Total revenue from contracts with customers	**33,183,458**	30,105,803
Timing of revenue recognition		
Goods or services transferred at a point in time	**1,247,870**	1,307,878
Services transferred over time	**31,935,588**	28,797,925
Total revenue from contracts with customers	**33,183,458**	30,105,803

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**4,514,977**	4,167,711

6. OTHER INCOME AND GAINS, NET

	2023	2022
	RMB'000	*RMB'000*
Interest income	**124,479**	46,068
Government grants	**158,908**	179,000
Fair value gains on financial assets at fair value through profit or loss	**72,230**	9,589
Fair value gains on financial liabilities at fair value through profit or loss	**191,792**	–
Gain on disposal of investment properties	**40,948**	22,357
Gain on disposal of items of property, plant and equipment	**36,070**	145
Gain on disposal of joint ventures and associates	**99,159**	31,856
Loss on disposal of subsidiaries	**(16,499)**	(899)
Gain on remeasurement of the previously held interest in an associate	**–**	215,563
Foreign exchange differences, net	**230**	53,125
Gain on cash flow hedge (transfer from equity)	**–**	11,759
Other non-operating income	**12,606**	2,051
	719,923	570,614

7. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of services provided	**27,457,653**	24,818,740
Cost of inventories sold	**914,038**	1,056,313
Depreciation and amortisation	**1,016,165**	854,702
Research and development costs	**376,739**	412,459
Lease payments not included in the measurement of lease liabilities	**94,485**	65,663
Auditors' remuneration	**5,472**	3,491
Employee benefit expense (excluding directors' and chief executive's remuneration)	**11,277,060**	10,905,558
Impairment losses on financial assets, net:		
Impairment losses on trade and retention receivables, net	**193,937**	91,001
Impairment losses on financial assets included in prepayments, deposits and other receivables, net	**77,066**	65,036
	271,003	156,037
Gain on disposal of items of property, plant and equipment	**(36,070)**	(145)
Loss on disposal of subsidiaries	**16,499**	899

8. INCOME TAX EXPENSE

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

The provision for Chinese Mainland income tax was based on a statutory rate of 25% (2022: 25%) of the taxable profits during the year as determined in accordance with the PRC Income Tax Law and the respective regulations.

Under the Law of the PRC on Enterprise Income Tax ("EIT") and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of the PRC subsidiaries is (i) 25% (2022: 25%), or (ii) 15% (2022: 15%) if the subsidiaries are qualified as high and new technology enterprises or registered in the western region, Shenzhen Qianhai region and Guangdong Hengqin region of the PRC and fulfill certain requirements.

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2022: 16.5%) on any estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the year.

The major components of income tax expenses are as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current – PRC	**771,479**	572,563
Deferred tax	**(149,487)**	(139,042)
Total tax charge for the year	**621,992**	433,521

9. DIVIDENDS

A final dividend of RMB0.241 per ordinary share (including tax) totalling RMB284 million for the year ended 31 December 2022 was approved in the Company's Annual General Meeting on 16 June 2023 and paid during the year.

The interim dividend of RMB0.315 per ordinary share (including tax) totalling RMB371 million, has been approved at the extraordinary general meeting on 8 December 2023 and has been partly settled in new shares of the Company and partly paid in cash in February 2024. The number of ordinary shares settled and issued as scrip dividends was 2,768,729 and the total amount of dividend paid as scrip dividends was RMB63 million while cash dividend amounted to RMB308 million.

At a meeting held by the Board on 22 March 2024, the Board recommended a final dividend of RMB0.777 per ordinary share (including tax) totalling RMB916 million for the year ended 31 December 2023. The proposed final dividend for the year ended 31 December 2023 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary shareholders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic earnings per share is based on:

	2023	2022 (Restated)
Earnings		
Earnings attributable to the ordinary shareholders of the Company, used in the basic earnings per share calculation (RMB'000)	**1,954,696**	1,511,649
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,178,393,636**	1,082,207,650
Basic and diluted earnings per share (RMB)	**1.66**	1.40

11. INTANGIBLE ASSETS

	Customer relationship *RMB'000*	Goodwill *RMB'000*	Others *RMB'000*	Total *RMB'000*
31 December 2023				
At 1 January 2023:				
Cost	**5,971,911**	**3,700,222**	**12,107**	**9,684,240**
Accumulated amortisation	**(1,171,223)**	**–**	**(6,030)**	**(1,177,253)**
Net carrying amount	**4,800,688**	**3,700,222**	**6,077**	**8,506,987**
At 1 January 2023, net of accumulated amortisation	**4,800,688**	**3,700,222**	**6,077**	**8,506,987**
Additions	**77,913**	**–**	**16,935**	**94,848**
Amortisation provided during the year	**(615,507)**	**–**	**(3,395)**	**(618,902)**
Disposal of subsidiaries	**(1,757)**	**–**	**–**	**(1,757)**
At 31 December 2023, net of accumulated amortisation	**4,261,337**	**3,700,222**	**19,617**	**7,981,176**
At 31 December 2023:				
Cost	**6,030,427**	**3,700,222**	**29,042**	**9,759,691**
Accumulated amortisation	**(1,769,090)**	**–**	**(9,425)**	**(1,778,515)**
Net carrying amount	**4,261,337**	**3,700,222**	**19,617**	**7,981,176**
31 December 2022				
At 1 January 2022:				
Cost	5,139,992	3,700,222	12,097	8,852,311
Accumulated amortisation	(603,765)	–	(4,457)	(608,222)
Net carrying amount	4,536,227	3,700,222	7,640	8,244,089
At 1 January 2022, net of accumulated amortisation	4,536,227	3,700,222	7,640	8,244,089
Additions	831,919	–	310	832,229
Amortisation provided during the year	(567,458)	–	(1,873)	(569,331)
At 31 December 2022, net of accumulated amortisation	4,800,688	3,700,222	6,077	8,506,987
At 31 December 2022:				
Cost	5,971,911	3,700,222	12,107	9,684,240
Accumulated amortisation	(1,171,223)	–	(6,030)	(1,177,253)
Net carrying amount	4,800,688	3,700,222	6,077	8,506,987

Impairment testing of goodwill

Before 1 January 2023, goodwill acquired through business combinations was allocated to the following cash-generating units ("CGUs") for impairment testing:

- CWVS Holding Limited CGU
- Fujian Bon Property Group Co., Ltd. (the "Bon Property") CGU
- Shanghai Yango Intelligent Life Service Group Co., Ltd. (the "Yango Intelligent") CGU

The Group has reorganised the structure of its operation that changes the composition of the existing CGUs to which the goodwill has been allocated. The original CGUs had been reorganised and integrated into two new CGUs. The reorganization was completed in July 2023. Goodwill has been reallocated to the new CGUs using a relative value approach to reflect the goodwill associated with the reorganised units.

The carrying amount of goodwill allocated to each of the new CGUs is as follows:

	RMB'000
Residential business group*	3,418,955
Commercial and government-sponsored institution business group**	281,267
	3,700,222

* Residential business group, focusing on providing service to residential property owner with various price range, aim to improve operating efficiency by advancing the Onewo strategy, which would create interconnection between residential properties within a certain geographic space.

** Commercial and government-sponsored institution business group ("Commercial and GSI business group"), focusing on providing service to enterprise and government-sponsored institution, including property management service, facility management service, and customized services to government-sponsored institution.

The recoverable amounts of the CGUs are determined based on value-in-use of the CGUs to which the goodwill is allocated. These calculations use pre-tax cash flow projections based on financial budgets of the CGUs approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rates below. The growth rates do not exceed the long-term average growth rate for the related industry in which the CGUs operate. The pre-tax discount rates below reflect specific risks relating to the relevant industry and the CGUs themselves and macro-environment of the relevant region.

The key assumptions used in the estimation of value-in-use were as follows:

	2023
Annual growth rates of revenue	10%~15%
Long-term growth rate	2%
Pre-tax discount rates	16%~17%

The Group assessed the impairment of goodwill at the end of the reporting period and the recoverable amounts of each CGUs had exceeded each of their carrying amounts, and hence the goodwill was not regarded as impaired.

12. TRADE AND RETENTION RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade and notes receivables		
– Related parties	**2,487,278**	2,124,407
– Third parties	**4,640,346**	4,330,843
Retention receivables	**73,277**	48,517
	7,200,901	6,503,767
Less: Allowance for impairment of trade and retention receivables	**(419,801)**	(225,864)
	6,781,100	6,277,903

Retention receivables are related to revenue earned from the provision of construction of intelligent property management services for which the right to the receipt of consideration for work performed remains conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the service contracts. The retention receivables are transferred to the trade receivables when the right becomes unconditional, which is typically at the expiry date of the defect liability period.

Trade receivables mainly arise from commercial and urban space integrated services and AIoT and BPaaS solution services.

The Group's trading terms with its customers are mainly on credit. The credit term is normally decided on a case-by-case basis upon the acceptance of the products or the completion of service. The credit period is generally one month, extending up to three months for major customers. In view of the aforementioned and the fact that the Group's trade and retention receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and retention receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**6,163,652**	5,724,428
1 to 2 years	**376,436**	502,923
2 to 3 years	**227,170**	40,661
Over 3 years	**13,842**	9,891
	6,781,100	6,277,903

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Current:		
Other receivables		
– Payments on behalf of property owners	**1,537,831**	1,428,297
– Deposits	**425,833**	392,822
– Other receivables	**108,273**	72,467
	2,071,937	1,893,586
Less: Allowance for impairment of other receivables	**(992,089)**	(915,050)
	1,079,848	978,536
Prepayments to suppliers	**331,132**	281,362
Prepayments for tax	**501,416**	437,956
	1,912,396	1,697,854
Non-current:		
Deposits		
– Amounts due from related parties	**1,562,026**	1,602,676
– Others	**148,107**	153,025
	1,710,133	1,755,701
Others	**791,755**	633,103
	2,501,888	2,388,804

14. TRADE AND NOTES PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade and notes payables		
– Related parties	**305,911**	905,243
– Third parties	**5,458,580**	4,414,474
	5,764,491	5,319,717

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**5,312,726**	5,085,753
1 to 2 years	**287,177**	173,480
2 to 3 years	**106,915**	31,191
Over 3 years	**57,673**	29,293
	5,764,491	5,319,717

The trade and notes payables are non-interest-bearing and are normally settled on the terms of 30 to 180 days.

The fair values of trade and notes payables as at the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

15. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Current:		
Other payables		
Amounts due to related parties	**564,068**	505,230
Cash collected on behalf of property owners	**2,286,966**	2,373,984
Deposits payable	**1,084,206**	1,026,029
Dividends	**423,647**	105,536
Accruals and other payables	**773,328**	1,043,809
	5,132,215	5,054,588
Payroll payables	**1,749,995**	1,555,974
Long-term payables within one year	**3,520**	16,948
Other taxes payables	**262,813**	212,033
	7,148,543	6,839,543
Non-current:		
Amounts held on behalf of property owners	**1,121,356**	955,811
Long-term payables	**9,571**	7,958
	1,130,927	963,769

Other payables and accruals with third parties and related parties are unsecured and non-interest-bearing. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

16. SHARE CAPITAL

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
Ordinary shares of RMB1 each	**1,178,469**	1,178,469

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**
		RMB'000
At 1 January 2022	1,050,420,000	1,050,420
Share issued:		
Initial public offering	116,714,000	116,714
Over-allotment	11,334,700	11,335
At 31 December 2022 and 1 January 2023	1,178,468,700	1,178,469
Repurchase shares	(2,185,600)	–
At 31 December 2023	1,176,283,100	1,178,469

(a) As at 31 December 2023, 2,185,600 ordinary shares were repurchased but not yet cancelled by the Company.

Letter to Shareholders: Building Momentum, Overcoming Challenges

The management couldn't help sighing at the performance of the Company's stock price in 2023. The Company's share repurchase proved little effect. The proposed scrip dividend scheme in relation to profit distribution for the half year of 2023 was meant to enhance investors' confidence but was unfortunately interpreted negatively by the market as a sign of the Company's lack of cash instead. Onewo failed to be admitted to the Hang Seng Composite Index reviewing in the current quarter due to insufficient share turnover in the fourth quarter, which resulted in a continual drop in its stock price. Later the Company explained this fact by presenting the reply from Hang Seng Indexes Company Limited in an open letter, which was well understood by the market.

Secondary market operates as a parallel world to the Company's operations. Although the ups and downs of a company's stock price can be caused by short-selling and swing trading, they serve as a mirror reflecting the operations of the Company to some extent. In this sense, only stable and genuine operating results, along with transparent and ample communication can earn shareholders' trust. Trust and confidence form the cornerstone of stock prices.

In previous years, with high growth and gross margin, many property service providers had been a good bet in the capital market. However, until the sudden contraction of real estate development activities in China, these property service providers were not aware that they had been too dependent on property developers and were dumped by the capital market immediately. Without trust, it is difficult to build confidence again.

Undeniably, real estate owners cannot live without services from property management industry, so the contract renewal rate of this industry is over 85%, which outperforms most SaaS services. However, the years from 2023 to 2025 will be an up-or-out period for the industry. The shift from serving real estate developers who are struggling today and see their industry declining to serving property owners who are in high demand for property services requires an A-lister in the industry to devote time to demonstrating its capability of solving the following problems.

Transformation of income structure. It is impossible for major shareholders who are also real estate developers to experience another property development boom. The consequent issue is that value-added services for developers with high gross margin slumped due to the shrunken increments resulting from slow real estate sales and the mounting property management fees payable by the developers for vacant properties. The resulting impact on the financial statements takes time for property service providers to digest and they need to get rid of the path dependency, and make up their mind to undergo a transformation and seek independence.

A string of problems brought by growth achieved through economies of scale. The existing market will witness a starker competition for sure. How big a company is and how big its name is are two important decisive factors in the rivalry among players in the existing market. But behind growth achieved by leveraging economies of scale are a train of problems. For example, there may be defects in human resources and service quality guarantees. In the era of we-media, every complaint about services can potentially be a brand disaster, and flying blind on growth will end up a vicious spiral. For another example, to a company employing a large number of service personnel, if customers are getting unwilling to pay due to a decline in its service quality while the employee payroll must be paid, this will even cause a lack of cash flow. The contingent problems brought by growth achieved through economies of scale can only be solved when technology is proactively embraced and the culture of "customer first" is firmly hold on to.

We would like to travel with more outstanding peers and climb over hills of difficulty faced by real estate developers together. "*Can't stop complaining that we are in bad times, and won't forget why we start until we make it*".

On our IPO roadshows, you said "Yeah" and "Right" and nodded when we briefed you on Onewo's strategies. However, when it comes to industry research, I understand that you may take these strategies with a pinch of salt from day one. In our second annual report, we have good news for you. First, our quality services have been recognized by customers and the ratio of net operating cash flow to net profit reached 1.3 times. Second, the Onewo Town strategy has accomplished a scheduled milestone with the gross profit margin of the transformed Onewo Town grew by 4.5 percentage points, which drove the increase in overall gross profit of residential properties. Third, thanks to the customer diversification strategy, the Company has maintained growth by leveraging economies of scale while continue reducing the continuing connected transactions with Vanke; the proportion of revenue was down to 13.5%. Fourth, the execution of the technology strategy has contributed to the enhancement of our business efficiency and the management fee rate decreased by 0.9 percentage point; and the revenue of AIoT and BPaaS solution services grew by a year-on-year increase of 16.9%, accounting for 8.4% of the total revenue of the Company.

In 2023, we carried out pilot projects for the research and development of the "Lingshi" edge server and the "Feige" intelligent work order system in some Onewo Towns. The Company wanted its industry knowledge to be stored and iterated by intelligent means for better sharing. This innovative initiative will further improve the efficiency and broaden the coverage of the property management services, making intelligent properties a label of Vanke Service.

In 2023, we made an attempt at developing pilot projects of energy management services with our clients in respect of our commercial property services, in the hope of helping clients cut their cost of energy consumption through technology development and collaboration among ecosystem participants. Further, the Company has been exploring technology pathways to carbon emissions reduction in a bid to make green properties a label of Cushman & Wakefield Vanke Service.

In 2023, we further expanded our asset services in Onewo Towns centering on "repair and maintenance, decoration, leasing and trading". The gross transaction value of the second-hand housing transactions grew by a year-on-year increase of 24.5%; the contract value of the decoration business in Onewo Towns grew by a year-on-year increase of 68.0%; and the business volume of maintenance and decoration business in Onewo Towns grew by a year-on-year increase of 90.8%. The total amount of the value-added services centering on assets exceeded RMB32.5 billion and the frequency of services exceeded 5.66 million. Focused on asset services, we have set up a professional team based on the home decoration industry and brokerage industry. Centering on service radius of Onewo Towns, the service process has also been restructured to outperform the service efficiency of the home decoration industry and brokerage industry, thus making an efficient ecological service network of Onewo Town.

The Company has aimed to attach equal importance to the R&D of technologies and the observance of its service philosophy since the day it was renamed "Onewo". To carry out the mission of "reshape space efficiency, service for ever better (重塑空間效率, 服務歷久彌新)", we have built a space-based service network as well as a service ecosystem. Although the labor shortage will be alleviated in the short term, such shortage can last in the long run. Furthermore, AI is restructuring the business model of traditional industries. Such restructuring is happening every day, but when we discuss with our customers whether the services from AI and machines are acceptable to them, they always say that they prefer the tenderness of people. "*We are too powerless to fight back against misfortune but we will not yield until the very last day*".

The Company is proud to announce that in 2023, 39,821 of its employees completed CPR skills training, successfully saving 12 lives, while a total of 2,870 AED facilities were installed as planned by the Company joined by the foundation and property owners. I asked Lv Meina, our housekeeper for a Changchun-based project: "Why the owner thought of you in such a life-threatening situation?" She answered, "I keep in contact with the owners, and they usually turn to me when they need any help". I asked Sun Qimeng, who heads one of our sales centers: "Why did you save this man at the Beijing Capital International Airport while so many people could lend a hand there?" Qimeng responded, "I have been trained in the first-aid training session offered by our Company, and I didn't think much of it when I did it".

We are still far away from achieving the goal of installing AED facilities in every residential compound under management, but as the saying goes, do not fail to do a good deed even if it seems trivial. With the speedy development of our services, we believe that many littles makes a muckle.

"Can't remember who gave the last hug and when it was".

Presented by Zhu Baoquan, Chairman of the Board of the Company
March 22, 2024

INDUSTRY REVIEW

Industry Watershed I: Dual Challenges of Expanding New Markets and New Customers

Since 2018, property service enterprises have risen to be shining stars in the real estate field and caught investors' attention. Against this backdrop, leveraging the advantage of relative real estate shareholders' support, property service enterprises under various real estate groups embarked on listing and, by virtue of the dual advantages of capital support and undoubted business growth, gained prosperity. They have also led to an unprecedented impact on independent third party property service providers.

From 2021 to 2023, the market experienced sharp changes, and the real estate industry suffered unprecedented and extreme adjustments. According to the public information, for most of the listed property service enterprises with transactions accounted from related party for more than 40%, the gross profit plummeted by 20.1%, the average marketing value also dropped to P/E ratio of 1.18 times, and the ratio of impairment provision to the revenue in the first half climbed to 29.5% during this round of adjustment. In this round of significant adjustment in the real estate field, the property industry is experiencing the pain of transformation. Those closely associated with the real estate business were notably weaker than peers with strong independence in terms of operation and capital market recognition. Looking forward to 2024, this trend is expected to continue.

In such tide of transformation, property service enterprises will face two key challenges: whether they have the ability to expand their business in the existing market; and whether they can effectively exploit previous experiences and abilities in serving developers to serve other customers. The property service enterprises will face the development capability tests posed by such two challenges, which will be the first watershed in the industry to determine their position in the future market and fate. Only the property service enterprises that pass these tests, may prove that they have unique attractiveness to consumers and are capable of expanding a new market outside the real estate market.

Industry Watershed II: Game Between Scale Expansion and Service Quality

Although the supply and demand in labor market experienced short easement in 2023, and enterprises experienced the relief of employment pressure in the short term, the labor-intensive nature for property industry remains unchanged up to this day, and the trend of long-term labor shortage will last.

When all sectors of society discussing the Mathew Effect in property industry, they shall not overlook the long-lasting contradiction between scale and service. If the "labor force based" pricing model used in traditional labor-intensive industry remains unchanged, it will be difficult to eliminate the phenomenon of "misrepresentation" in project management for property industry. Scale is beneficial to service when it is small, and is harmful to service when it expands to a large size.

The inherent nature of the industry remains a challenge to us. How to ensure extremely stable satisfaction when expanding scale has become a common focus inside and outside the industry.

Against this backdrop, the AI technology, which was high-profile in 2023, provides us a solution. The application of new technologies such as Large Language Models (LLMs), a new type of AI technology, will not only drive the transformation and upgrade of labor-intensive industries, but also promote the in-depth industrial structure adjustment. AI technology will significantly improve the efficiency of back-stage integrated management and control, which not only can ensure on-site service quality, but also improve frontline service efficiency through procedure optimization. Meanwhile, AI technology will enable the intelligent inheritance and iteration of valuable industrial experience and management system. Enterprises shall constantly invest in technical research and development to ensure the win-win situation for both scale expansion and service quality. Enterprises that can keep up with the development of new technologies will absolutely stand out in this reform.

Industry Watershed III: With Long-term Business and Thin Profit, Cash is the Priority

With the awakening of owners' demand for good services, the rate of changing property services providers has risen significantly, but the industry's renewal rate still remains higher than 85% in the market as a whole. Therefore, property business, which can be regarded as a "perpetual and sustainable" business, is a rare and real "long-term" business.

The term is long, but the profit is thin. According to the measurements and calculation in CRIC's 2024 Report, more than 70% of residential projects across the country only have a net profit margin of 5% to 8%. Under the attribute of "long-term business with thin profit", the cash flow management is crucial. There has always been a close link between owners' willingness to pay and the quality of service. For small enterprises, maintaining a high level of service quality is easier to achieve, and their cash flow can usually be maintained at a good momentum, which make them flexible and resilient. However, as the orders of magnitude on the scale of the enterprise changes, the difficulty of maintaining service quality stability will also increase exponentially, which requires enterprises to truly understand customers' demand and on-site work, further strengthen their operational and management capabilities and stabilize the collection rate, so as to achieve profits with cash flow, ensuring a steady progress on the road of industry's sustainable development. Though the profit is thin, it will eventually accumulate into a peak.

STRATEGIES REVIEW

Onewo Town Strategy: Gross Profit of Residential Properties Increased by 3.5 Percentage Points

Site selection and construction of Onewo Town: prominent advantage of regional density

As of December 31, 2023, the Group had built a total of 621 Onewo Towns, of which 191 were Standard Onewo Towns, 188 were Focused Onewo Towns and 242 were Target Onewo Towns; during the Reporting Period, the number of new residential property projects in Onewo Towns amounted to 319 in total.

The smooth progression in the site selection and construction of Onewo Town benefited from the branding effect of Vanke Service under the Group, and the prominent advantages of the Onewo Town model in acquiring existing projects. According to the Group's internal bidding statistics, the success rate of acquiring existing projects in Onewo Towns exceeded 60%.

During the Reporting Period, the Group committed to a total of 104 newly acquired projects to invest in transformation funds for smart communities, which will be gradually put into use within three years after taking over those projects, with an estimated amount of RMB170.9 million.

Process transformation: continued improvement in space efficiency

As of December 31, 2023, the Group has carried out process transformation for 150 Onewo Towns in total, including 1,124 residential property projects, of which 112 Onewo Towns were newly added for process transformation this year. As a result of the increase in the number of Onewo Towns that achieved efficiency improvement through process transformation, as well as the continuous iteration and optimization of Onewo Towns operations after process transformation, the overall efficiency of the transformed Onewo Towns improved by 4.5 percentage points, and the overall gross profit of the residential properties increased by 55.5% as compared to the same period of last year, and the goal of improving the space efficiency has been continuously realizing.

In 2024, the Group will continue to promote the process transformation of no less than 100 Onewo Towns.

Ecological superposition: combining the efficiency with satisfaction

In Onewo Towns, the Group has continued to offer services centering on housing assets and has performed well in its four major businesses, namely, leasing, trading, repair and maintenance, and decoration in 2023.

Although subject to the market sentiment index, Pulin, as the real estate brokerage brand under Onewo, has still demonstrated its competitiveness. With the regional advantage brought by the Onewo Town model, the results of Pulin has continued to grow. During the Reporting Period, the GTV of the second-hand home trading business of the Company amounted to RMB21,345.8 million, representing a year-on-year increase of 24.5%; the GTV of the second-hand home leasing business amounted to RMB150.9 million, representing a year-on-year increase of 4.5%; and the revenue from the second-hand houses brokerage services amounted to RMB408.0 million, representing a year-on-year increase of 25.1%.

As a proprietary decoration business under Onewo, Onewo Yanxuan Home (萬物研選家) continues to penetrate deeply into the Onewo Town community and is committed to giving old houses new glory, elaborately creating a series products concerning old houses repair, transformation and renovation, and continuing to convey the warmth of the "acquaintance-based economy" and the core values of "transparency, reassurance and rapidness". Currently, the business focuses on promoting three core partial decoration products, namely kitchens, bathrooms and balconies, leading the transformation of a brand-new lifestyle. As of December 31, 2023, the Group has carried out the decoration business in 40 Onewo Towns, with a contract value of RMB354.9 million during the Reporting Period, representing a year-on-year increase of 68.0%.

At the same time, the Group piloted part of its maintenance and housekeeping business in Onewo Town, to build up the ecosystem of Onewo Town. During the Reporting Period, turnover of maintenance and housekeeping business amounted to RMB247.8 million, representing a year-on-year increase of 136.8%.

Customer diversification strategy: penetrating deeply into and focusing on five major areas, and continuously extending service capabilities

As the Group's commercial office property management brand, Cushman & Wakefield Vanke Service continued to deepen its expansion in the five major areas during the Reporting Period, and further enriched the client matrix with the addition of renowned insurance companies, global leading sports brands, top medical equipment companies and top home appliances companies, etc., contributed an increase of saturated income of RMB1,064.1 million, representing a year-on-year increase of 51.7%. By virtue of the outstanding service capability and market expansion capacity of Cushman & Wakefield Vanke Service, a total of 15 super high-rise projects were acquired during the Reporting Period.

The Group has successfully reused its hardware technology capabilities previously serving developers in more areas, and actively expanded new market channels to ensure growth. During the Reporting Period, the Group made encouraging progress in the industrial customers, winning bids in projects including public rental housing in Chongqing and talent housing in Shenzhen, and signing contracts for a total of 1,270 projects, of which the products in the category of Industrial Park realized a 126.0% growth in contract value, successfully filling the gap caused by cautious carrying out of related businesses due to the impact on the developer industry.

During the Reporting Period, the Company explored a variety of business operations targeting customers within the commercial space, including dust-free management, energy management, investment promotion services, curtain wall lighting and car park management services, etc., with the multiple business operations generating a total contract value of RMB542.5 million, representing a year-on-year growth of 107.5%. Meanwhile, the Group's external expansion capabilities for remote enterprise services were further validated and the service boundary was further expanded. With the concerted efforts of the local public services and remote sharing centers, we successfully signed a contract with a leading automobile company for HR shared service center, with a total contract amount for winning bid of RMB43.0 million, which achieved customer satisfaction rate of 95% for the full year of 2023.

Technology Strategy: Significant Effect of Internal Research and External Expansion

R&D results

The Black Cat series of access control products and Pineapple No. 1, as the Group's mature self-developed products, have made significant contributions to improving the efficiency of the residential business.

During the Reporting Period, the Pineapple No. 1 was used by 3.2 million people and the Black Cat series of access control equipment was used by 4,115.0 million people, providing convenience to owners. The intelligent hardware was deployed and used by customers, which in turn contributed to the operational transformation of Onewo Town. Compared with traditional manual service, customers had good experience with such intelligent hardware, and four-star customer satisfaction reached 80% in residential projects after process transformation. After the process change, the gross profit of basic residential property increased by 3.5 percentage points on a year-on-year basis, achieving a win-win situation in terms of service capability and efficiency, and intelligent property has become the new label of Vanke Service.

During the Reporting Period, the Group has also been further promoting more technology products to help the continuous improvement of space efficiency.

Lingshi intends to make the traditional space service process shine with the aura of wisdom through AI algorithms. Lingshi Edge server is an integrated system that integrates servers, access business, communication business and inspection business for the Group in Onewo Towns, which can help improve business management efficiency when delivering on-site services. In the future, it will be combined with various technologies such as large language models to achieve mutual coordination in multiple scenarios, expand product boundaries, enhance market competitiveness, and realize applications in more space types.

As of December 31, 2023, the Group has installed 459 Lingshi servers in a total of 101 Onewo Towns and achieved an online rate coverage of at least 99.3%.

On the basis of Pineapple No. 1 and Black Cat Series products that have been built in the project, Lingshi servers can further optimize the incident processing efficiency. Through remote operation, Lingshi servers have successfully handled more than 10% of vehicle incidents and more than 70% of pedestrian incidents. Specifically, the average processing time for vehicle incidents has been reduced to 1.2 minutes which increased by 15% over the previous year, while the average processing time for pedestrian incidents has been sharply reduced to 0.77 minute, the efficiency of which increased by up to 75%. In terms of work order management, the average number of work orders dispatched per month exceeded 62,000, and the average number of incidents reported per month amounted to 5,000 with the report closure rate standing at 99%.

In terms of communication, the average monthly call volume generated from Lingshi servers reached about 200,000, and the success rate of incoming and outgoing calls maintained stable at more than 91%, which ensured the smooth flow of information. In the inspection segment, Lingshi servers successfully completed the access of 69,769 cameras in 377 projects, of which 15,483 cameras were installed with twenty types of AI-enabled inspection models. This enabled us to generate an average of 84,000 AI alert events per month with a workstation processing rate of 59%, an average of 780 associated work orders dispatched per month, and a work order closure rate of 80%. These results not only reflect our excellent ability in edge-side multi-business aggregation and collaboration, but also further enhance the overall operational efficiency.

The Feige (飛鴿) task platform is the first intelligent operating platform in the industry that integrates intelligent disassembly, intelligent dispatch, intelligent scheduling and intelligent AI inspection of tasks. During the Reporting Period, the Group's technology team completed the development and implementation of the platform, piloted in 16 Onewo Towns, accessed 2,096 operators, and completed a total of more than 800,000 work orders, with an intelligent disassembly success rate of 98.0% and an intelligent scheduling dispatching success rate of 95%, which greatly saved the management costs generated by the on-site scheduling. The same rate between AI intelligent quality inspection equipped with large language model algorithms and manual quality inspection results reached 76.8%, which initially demonstrated the practical meaning of intelligent quality inspection.

The pilot achievements of Lingshi and Feige give us reason to believe that there is enough room for the Group to improve its operational efficiency. In 2024, the Group plans to realize the Lingshi + Feige's transformation on the multi-space traditional command center by means of AI door-opening, AI inspection, and automated dispatching and checking of orders, etc., which will further enhance the efficiency of the space and open up the boundary of the management of space services.

External revenue enhancement

During the Reporting Period, AIoT solutions achieved revenue of RMB1,417.5 million, representing a year-on-year increase of 2.4%, against the pressure from existing customers. The business successfully extended the hardware technology capabilities previously accumulated by serving developers to other industry customers. Dozens of new external customers were acquired during the Reporting Period, including communication enterprise giants, affordable housing enterprises and leading infrastructure enterprises in various regions.

Progress in external expansion of remote enterprise services was encouraging. Project of personnel sharing center for automobile giant enterprises was undertook and remote services were provided to leading communication enterprises and large public funds. Cumulatively, remote space services have been implemented in 39 projects. During the Reporting Period, BPaaS solution services achieved revenue of RMB1,363.1 million, representing a year-on-year increase of 37.2%.

BUSINESS REVIEW

The Group is divided into three business segments: (i) community space living consumption services; (ii) commercial and urban space integrated services; (iii) AIoT and BPaaS solution services.

The following table sets out the details of revenue by business segment and service type as at the dates indicated:

	For the year ended December 31,				
	2023		2022		Growth rate
	RMB'000	***%***	*RMB'000*	*%*	*%*
Community space living consumption services					
– Residential property services	**17,002,054**	**51.2**	14,810,695	49.2	14.8
– Home-related asset services	**1,360,922**	**4.1**	1,351,341	4.5	0.7
– Other community value-added services	**375,463**	**1.1**	421,155	1.4	(10.8)
Subtotal	**18,738,439**	**56.4**	16,583,191	55.1	13.0
Commercial and urban space integrated services					
– Property and facility management services	**8,299,598**	**25.0**	7,544,896	25.1	10.0
– Value-added services for developers	**2,683,486**	**8.1**	2,935,057	9.7	(8.6)
– Urban space integrated services	**681,326**	**2.1**	664,256	2.2	2.6
Subtotal	**11,664,410**	**35.2**	11,144,209	37.0	4.7
AIoT and BPaaS solution services					
– AIoT solutions	**1,417,506**	**4.3**	1,384,920	4.6	2.4
– BPaaS solutions	**1,363,103**	**4.1**	993,483	3.3	37.2
Subtotal	**2,780,609**	**8.4**	2,378,403	7.9	16.9
Total	**33,183,458**	**100.0**	30,105,803	100.0	10.2

The following table sets out the details of gross profit by business segment and service type as at the dates indicated:

	For the year ended December 31,			
	2023		2022	
	Gross Profit	**Gross profit margin**	Gross Profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Community space living consumption services				
– Residential property services	**2,269,257**	**13.3**	1,458,881	9.9
– Home-related asset services	**389,928**	**28.7**	372,390	27.6
– Other community value-added services	**248,496**	**66.2**	268,007	63.6
Subtotal	**2,907,681**	**15.5**	2,099,278	12.7
Commercial and urban space integrated services				
– Property and facility management services	**713,911**	**8.6**	917,156	12.2
– Value-added services for developers	**312,276**	**11.6**	408,572	13.9
– Urban space integrated services	**64,904**	**9.5**	54,424	8.2
Subtotal	**1,091,091**	**9.4**	1,380,152	12.4
AIoT and BPaaS solution services				
– AIoT solutions	**400,979**	**28.3**	424,706	30.7
– BPaaS solutions	**412,016**	**30.2**	326,614	32.9
Subtotal	**812,995**	**29.2**	751,320	31.6
Total	**4,811,767**	**14.5**	4,230,750	14.1

During the Reporting Period, the Group experienced a continuous and stable growth, of which the recurring businesses showed a strong resilience, and a constantly optimized profitability

The Group's residential property services in community space, property and facility management services in commercial space and BPaaS solution business in the technology sector are recurring businesses. During the Reporting Period, the Group's recurring businesses achieved revenue of RMB26,664.8 million, representing a year-on-year increase of 14.2%, accounting for 80.4% of total revenue; and achieved gross profit of RMB3,395.2 million, representing a year-on-year increase of 25.6%, accounting for 70.6% of total gross profit.

Residential property services

During the Reporting Period, the Group's revenue from residential property services was RMB17,002.1 million, representing an increase of 14.8% as compared to the same period of last year, accounting for 51.2% of total revenue. During the Reporting Period, such business brought gross profit of RMB2,269.3 million, representing an increase of 55.5% as compared to the same period of last year, accounting for 47.2% of total gross profit. During the Reporting Period, the gross profit margin of such business increased significantly by 3.5 percentage points over last year, which benefited from the smooth implementation and continuous optimization in the process transformation of the Onewo Town strategy. The increase in revenue of such business is due to the Company's excellent expansion capability in the existing market. As of December 31, 2023, the saturated income of residential property projects under management was RMB24,405.1 million, representing a year-on-year increase of 7.0%; the saturated income of contracted residential property projects was RMB30,663.1 million, representing a year-on-year increase of 7.0%.

The following table sets forth the details of the number of residential projects under management and contracts and the saturated income as at the dates indicated:

	As of December 31,	
	2023	2022
Saturated income from contracts (RMB million)	**30,663**	28,659
Number of contracted projects	**4,658**	4,358
Saturated income from projects under management (RMB million)	**24,405**	22,800
Number of projects under management	**3,810**	3,446

During the Reporting Period, the Group has actively withdrawn from a total of 144 residential property projects, with a saturated income of RMB614.9 million.

	Number of projects under management (unit)	**Annualized saturated income** *(RMB million)*
Actively withdrawn upon operating assessment	116	471.2
Withdrawn from shareholding projects	15	27.3
Real estate delivery problems	13	116.4
Total	144	614.9

Note: The main reasons for the Group's active withdrawn upon operating assessment include that the projects are not within value sub-districts, not able to achieve profit through operating improvement in spite of long-term losses, and operational value is low, etc. Certain projects face situations such as Party A's failure to pay the expenses according to contracts and multiple project risks.

Withdrawn from shareholding projects are decided by the Group after assessment for the changes in operating conditions of joint venture, upon active negotiation with joint shareholders;

Main reasons of real estate delivery problems include that joint developers are unable to deliver in contracted time or at all due to fund chain breaking, or that unable to deliver due to failure to meet the entering and operating standards, resulting in more vacant houses and possible significant operating risks, so the Group decides to terminate the contracts.

The following table sets forth the number of residential property projects under management and under contract, the saturated income from projects under management as at the dates indicated, as well as a breakdown of income from residential property management services during the periods indicated by type of property developer.

As of December 31, 2023, details of the Group's total residential property projects under management are as follows:

	December 31, 2023			December 31, 2022		
	Number of projects under management *(unit)*	**Annualized saturated income** *(RMB million)*	**Financial income** *(RMB million)*	Number of projects under management *(unit)*	Annualized saturated income *(RMB million)*	Financial income *(RMB million)*
China Vanke Group and its joint ventures and associates	**1,546**	**12,130**	**9,028**	1,410	11,550	8,050
Independent Third Party real estate developers	**2,264**	**12,275**	**7,974**	2,036	11,250	6,761
Total	**3,810**	**24,405**	**17,002**	3,446	22,800	14,811

Property and facility management services

During the Reporting Period, the Group's revenue from property and facility management services was RMB8,299.6 million, representing an increase of 10.0% as compared to the same period of last year, accounting for 25.0% of the total revenue. During the Reporting Period, the business generated a gross profit of RMB713.9 million, representing a decrease of 22.2% as compared to the same period of last year, accounting for 14.8% of the total gross profit. For the year ended December 31, 2023, the number of property and facility management service projects under management was 2,241, representing an increase of 412 as compared to the same period of last year, among which, the number of commercial property management service projects (PM) was 793, representing an increase of 46 as compared to the same period of last year; the number of comprehensive facility management service projects (FM) was 1,448, representing an increase of 366 as compared to the same period of last year. Although payment capabilities of certain enterprise clients were affected by the economic cycle, the Group obtained 15 super high-rise projects in the Reporting Period with its outstanding brand advantages and expansion ability in the commercial market, and continuously deepened the expansion in five business segments, further enriching client matrix.

The following table sets forth the details of the number of property and facility management service projects under management and contracts and saturated income as at the dates indicated:

	As of December 31, **2023**	2022
Saturated income from contracts (RMB million)	**15,849**	13,439
Number of contracted projects	**2,531**	2,133
Saturated income from projects under management (RMB million)	**13,430**	11,058
Number of projects under management	**2,241**	1,829

During the Reporting Period, due to the operation changes of partners and other reasons, the Group has actively withdrawn from a total of 41 property and facility management service projects, with a saturated income of RMB125.2 million.

The following table sets forth the numbers of property and facility management service projects under management and under contract, the saturated income from projects under management as at the dates indicated, as well as a breakdown of income from property and facility management services during the periods indicated by type of property developer.

As of December 31, 2023, details of the Group's total property and facility management service projects under management are as follow:

	December 31, 2023			December 31, 2022		
	Number of projects under management ***(unit)***	**Annualized saturated income** ***(RMB million)***	**Financial income** ***(RMB million)***	Number of projects under management *(unit)*	Annualized saturated income *(RMB million)*	Financial income *(RMB million)*
China Vanke Group and its joint ventures and associates	**325**	**2,202**	**1,273**	295	1,912	1,144
Independent Third Party real estate developers	**1,916**	**11,228**	**7,027**	1,534	9,146	6,401
Total	**2,241**	**13,430**	**8,300**	1,829	11,058	7,545

BPaaS Solutions

During the Reporting Period, the Group's revenue from BPaaS solutions was RMB1,363.1 million, representing an increase of 37.2% as compared to the same period of last year, accounting for 4.1% of the total revenue. During the Reporting Period, the gross profit of the business was RMB412.0 million, representing an increase of 26.1% as compared to the same period of last year, accounting for 8.6% of the total gross profit. The rapid growth of the business is due to the Group's vigorous efforts on expanding both corporate customers and space customers. As of December 31, 2023, the corporate BPaaS business newly added 69 external customers, including top communication enterprises, large public funds and leading automobile enterprises, and the space BPaaS business was implemented in a cumulative total of 39 urban projects.

In addition to the recurring businesses, the Group's core businesses also include home-related asset services and AIoT solutions.

Home-related Asset Services

During the Reporting Period, the Group's revenue generated from home-related asset services was RMB1,360.9 million, representing an increase of 0.7% as compared to the same period of last year, accounting for 4.1% of the total revenue. During the Reporting Period, the gross profit of the business was RMB389.9 million, representing an increase of 4.7% as compared to the same period of last year, accounting for 8.1% of the total gross profit. The slowdown in the growth rate of such business was mainly subject to the continued depression of the housing transaction market, intertwined with the impact of the overall economic situation on alternative consumption. However, during the Reporting Period, the sound practice of acquaintance-based economic model for home renovation and furnishing business in Onewo Town enables the business to maintain a stable development.

AIoT Solutions

During the Reporting Period, the Group's revenue from AIoT solutions was RMB1,417.5 million, representing an increase of 2.4% as compared to the same period of last year, accounting for 4.3% of total revenue, of which the revenue from developers was RMB780.9 million, representing a year-on-year decrease of 33.5%, the revenue from non-developers was RMB636.6 million, representing a year-on-year increase of 201.3%. During the Reporting Period, the business generated a gross profit of RMB401.0 million, representing a decrease of 5.6% as compared to the same period of last year, accounting for 8.3% of the total gross profit, of which the gross profit from developers was RMB229.7 million, representing a year-on-year decrease of 34.5%, the gross profit from non-developers was RMB171.2 million, representing a year-on-year increase of 131.8%. During the Reporting Period, the Group conducted market expansion for non-residential projects, non-developer projects and renovation related projects, aiming to extend its capability cultivated in serving developers in the past into other industries and customers with unmet demands. New clients included leading automobile enterprises and leading affordable residential housing enterprises.

Urban public space, one of the Group's three major service spaces, will mainly adopt the form of joint ventures to carry out its business in the future.

Urban space integrated services

As of December 31, 2023, the Group has implemented 98 urban space integrated service projects in 26 cities across China, with the contract value reaching RMB5,615.6 million, representing a year-on-year increase of 38.4%, of which 74.1% of the contract value comes from business carried out in the form of joint ventures/companies. During the Reporting Period, the Group's "RFO" model in urban space integrated services achieved remarkable results. Urban service projects carried out by means of minority shareholding have achieved a return on investment (ROI) of 13.1%. At the same time, the space BPaaS business (FEE) has been implemented in 39 urban projects, and the business referrals (OPPORTUNITY) of RMB320 million has been brought to our Group through the form of urban capital groups. In the future, the Group will continuously deepen the adoption of minority shareholding management to further consolidate the "RFO" model.

RFO: the Group's business model under urban public space, represents the return on investment (ROI) of shareholding enterprises, technological service fees (Fee) and business referrals opportunities (Opportunity).

During the Reporting Period, the Group's consolidated revenue from urban space integrated services was RMB681.3 million, representing an increase of 2.6% as compared to the same period of last year, accounting for 2.1% of the total revenue. The business generated a gross profit of RMB64.9 million during the Reporting Period, representing an increase of 19.3% as compared to the same period of last year, accounting for 1.3% of the total gross profit.

During the Reporting Period, the Group's non-core businesses continued to be affected by the economic cycle and the pressure on the development industry.

Value-added services for developers

During the Reporting Period, the Group's revenue from value-added services for developers was RMB2,683.5 million, representing a decrease of 8.6% as compared to the same period of last year, accounting for 8.1% of the total revenue. The business generated a gross profit of RMB312.3 million during the Reporting Period, representing a decrease of 23.6% as compared to the same period of last year, accounting for 6.5% of the total gross profit. The declines in revenue and gross profit are mainly due to the sharp shrinkage of sales center business and pre-delivery support services business because of the bleak marketplace of new housing. However, the revenue from building maintenance services in this business recorded a year-on-year increase of 25.1%, providing further evidence that the accumulated capability in the past practices has larger room in the other markets excluding those of the developers.

Other community value-added services

During the Reporting Period, the Group's revenue from other community value-added services was RMB375.5 million, representing a decrease of 10.8% as compared to the same period of last year, accounting for 1.1% of the total revenue. The business generated a gross profit of RMB248.5 million during the Reporting Period, representing a decrease of 7.3% as compared to the same period of last year, accounting for 5.2% of the total gross profit.

OUTLOOK

Enhancing Communications with Our Customers to Improve Service Quality.

With changes in industry driving forces and diversification of customer needs, accurately meeting customer demands has become a core challenge for the space service industry. The Group has been actively engaged in comprehensive communications with its customers to deeply explore the real needs and expectations of various types of customers. We will enhance our service capability on all fronts, iterate our service offerings, and improve the reliability, digitization and refinement level of project operations. We will provide digital operation reports to our affiliated entities to build a business moat, solidify our market position and establish close and lasting cooperative relationships with our customers.

Promoting the Implementation of Onewo Town and Creating a Happy Space.

In 2024, the Group will continue to promote the Onewo Town strategy, leveraging on the influence of transparent properties, quality services and smart communities to enhance its market expansion capabilities and expand the foundation of Onewo Town. At the same time, we will deepen the process transformation and add 100 Onewo Towns for efficiency improvement and renovation. By creating a smart command center, we will strengthen community services and customer experience through smart customer service and AI property managers, etc. The business model with Onewo Town as the smallest operating entity will continue to be optimized to achieve the best economies of scale in the space service industry.

Technology Pioneering Development and Driving Market Expansion.

The application of technology has become a core driving force of the industry's development. The Group will adhere to its essence as a service-oriented enterprise, embrace knowledge and technology in the midst of continuous scale expansion, and ensure the stability of service quality while expanding.

With the unique space scenarios, the Group will build competitive advantages and launch high-quality products that are favored by customers and welcomed by employees. In 2024, we will increase our investment in research and development to drive business technology upgrading and knowledge accumulation through technological innovation. At the same time, we will expand technology market channels and realize increased revenue from technology products. We will enhance internal efficiency and market competitiveness through comprehensive technology upgrading.

Fulfilling Social Responsibilities and Releasing Organizational Dividend.

The Group will firmly integrate the ESG (environmental, social and governance) concept and the corporate culture into our business development, and dedicate itself to comprehensively ensuring the safety and growth of its employees, customers, facilities and equipment in spaces under management through the four initiatives of "Love Life, Love Growth, Love Environment and Love Community". In terms of "Love Life", we will utilize AI technology to monitor and maintain the health and safety of our employees and customers, creating a safe and healthy working and living environment. Through "Love Growth", we are committed to facilitating the career and personal development of our employees through the learning and development tools of AI technology, while providing customers with a more diversified and personalized service experience. Under the "Love Environment" initiative, the Group will intensify the use of AI technology for environmental protection and the optimization of resource allocation, to reduce the impact of business operations on the environment and promote green development. In terms of "Love Community", we will utilize AI technology to enhance community management and services, promote mutual assistance and cooperation within the community, and build a harmonious and sustainable community environment. Through the in-depth implementation of these four initiatives, the Group will actively fulfill its social responsibilities while realizing the interests of enterprise to contribute to a better future.

FINANCIAL REVIEW

For the year ended December 31, 2023, the Group's income structure continued to be optimized. Revenue from the recurring businesses amounted to RMB26,664.8 million, representing a year-on-year increase of 14.2%, accounting for 80.4% of revenue, representing a year-on-year increase of 2.8 percentage points. The gross profit of recurring businesses amounted to RMB3,395.2 million, with a gross profit margin of 12.7%, representing a year-on-year increase of 1.2 percentage points. The operational efficiency was steadily improved. The selling and distribution expenses ratio (as a percentage of revenue) was similar to last year, and the administrative expenses ratio (as a percentage of revenue) decreased by 0.9 percentage point year-on-year. The profitability has significantly improved, with the core net profit of RMB2,339.6 million, representing a year-on-year increase of 29.8%.

Revenue

For the year ended December 31, 2023, the Group's total revenue was RMB33,183.5 million, representing an increase of 10.2% as compared to RMB30,105.8 million for the same period in 2022. The increase in revenue was mainly due to the increase in scale under the Group's management and the increase in business contracts. Including:

- Community space living consumption services

  For the year ended December 31, 2023, the Group's revenue generated from community space living consumption services was RMB18,738.4 million, representing an increase of 13.0% as compared to RMB16,583.2 million for the same period in 2022, primarily due to the Company's outstanding expansion capability in the existing market.

- Commercial and urban space integrated services

  For the year ended December 31, 2023, the Group's revenue generated from commercial and urban space integrated services was RMB11,664.4 million, representing an increase of 4.7% as compared to RMB11,144.2 million for the same period in 2022, mainly due to the combined impact from the increase in property and facility management services and the decrease in value-added services for developers.

- AIoT and BPaaS solution services

  For the year ended December 31, 2023, the Group's revenue generated from AIoT and BPaaS solution services was RMB2,780.6 million, representing an increase of 16.9% as compared to RMB2,378.4 million for the same period in 2022, mainly due to the increase in revenue from remote enterprise operation services.

Cost of Sales

The Group's cost of sales mainly includes operating costs, depreciation and amortization. Operating costs include (i) subcontracting costs; (ii) staff costs; (iii) common area facility costs; (iv) engineering costs; and (v) office and other related costs. Depreciation and amortization are mainly comprised of the amortization of customer relationship resulted from our historical acquisitions.

For the year ended December 31, 2023, the total cost of the Group was RMB28,371.7 million, representing an increase of 9.6% as compared to RMB25,875.1 million for the same period in 2022. The increase in costs was mainly due to the increase in business scale.

Gross Profit and Gross Profit Margin

For the year ended December 31, 2023, the Group's gross profit was RMB4,811.8 million, representing an increase of 13.7% as compared to RMB4,230.8 million for the same period in 2022. For the year ended December 31, 2023, the Group's gross profit margin was 14.5%, representing an increase of 0.4 percentage point as compared to 14.1% for the same period in 2022, mainly because the gross profit margin of recurring businesses increased by 1.2 percentage points as compared to the same period in 2022.

- Community space living consumption services

  For the year ended December 31, 2023, the gross profit margin of the Group's community space living consumption services was 15.5%, representing an increase of 2.8 percentage points as compared to the same period of last year, of which the gross profit margin of residential property services was 13.3%, representing an increase of 3.5 percentage points as compared to the same period of last year, and the gross profit increased by 55.5% as compared to the same period of last year, benefiting from the smooth transformation progress of Onewo Town Strategy. The gross profit margin of home-related asset services was 28.7%, representing an increase of 1.1 percentage points as compared to the same period of last year, mainly due to the year-on-year increase in transaction volume while maintaining stable cost.

- Commercial and urban space integrated services

  For the year ended December 31, 2023, the gross profit margin of the Group's commercial and urban space integrated services was 9.4%, of which the gross profit margin of property and facility management services was 8.6%, representing a decrease of 3.6 percentage points as compared to the same period of last year, mainly because we were in the stage of expanding our business scale. The gross profit margin of value-added services for developers was 11.6%, representing a decrease of 2.3 percentage points as compared to the same period of last year. The gross profit margin of urban space integrated services was 9.5%, representing an increase of 1.3 percentage points as compared to the same period of last year.

- AIoT and BPaaS solution services

  For the year ended December 31, 2023, the gross profit margin of the Group's AIoT and BPaaS solution services was 29.2%, representing a decrease of 2.4 percentage points as compared to the same period of last year, of which the gross profit margin of AIoT solution services was 28.3%, representing a decrease of 2.4 percentage points as compared to the same period of last year, mainly affected by the developer industry. The gross profit of BPaaS solutions increased by 26.1% as compared to the same period of last year, and gross profit margin was 30.2%, representing a decrease of 2.7 percentage points as compared to the same period of last year, mainly due to an increase in the proportion of remote enterprise operation services businesses which has lower gross profit margin compared to remote space operation services which has higher gross profit in BPaaS solutions.

Other Income and Gains

The Group's other income and gains increased by 26.2% from RMB570.6 million for the year ended December 31, 2022 to RMB719.9 million for the same period in 2023, mainly due to the increase in interest income and fair value gains on financial liabilities at fair value through profit or loss.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 10.5% from RMB450.3 million for the year ended December 31, 2022 to RMB497.4 million for the same period in 2023. The selling and distribution expenses accounted for 1.5% of revenue, remaining unchanged as compared to the same period in 2022.

Administrative Expenses

The Group's administrative expenses decreased by 3.7% from RMB2,153.5 million for the year ended December 31, 2022 to RMB2,073.3 million for the same period in 2023. The administrative expenses ratio (as a percentage of revenue) was 6.2%, representing a decrease of 0.9 percentage point as compared to the same period in 2022, mainly due to further enhancement of management efficiency achieved through efficiency improvement driven by technology development, refined operation and organizational synergy upon merger and integration.

Income Tax Expenses

The Group's income tax expenses increased by 43.5% from RMB433.5 million for the year ended December 31, 2022 to RMB622.0 million for the same period in 2023, mainly due to the increase in profit before tax for the year and the non-taxable gain on remeasurement of previously held interest in an associate in the previous year.

Profit for the Year

The Group's profit for the year increased by 28.3% from RMB1,587.3 million for the year ended December 31, 2022 to RMB2,035.8 million for the same period in 2023. The Group's EBITDA increased by 25.3% from RMB2,840.6 million for the year ended December 31, 2022 to RMB3,558.0 million for the same period in 2023. For the year ended December 31, 2023, the Group's core net profit amounted to RMB2,339.6 million, representing an increase of 29.8% as compared with RMB1,802.9 million for the same period in 2022.

Intangible Assets

The Group's intangible assets mainly include customer relationships and goodwill acquired in historical acquisitions. The Group's intangible assets decreased from RMB8,507.0 million as of December 31, 2022 to RMB7,981.2 million as of December 31, 2023, mainly due to the amortization of customer relationships brought by historical acquisitions.

Liquidity and Financial Resource

Cash position

As of December 31, 2023, the Group had cash and cash equivalents of RMB15,572.5 million, representing an increase of RMB2,227.4 million in balance from RMB13,345.1 million as of December 31, 2022.

The Group has adopted prudent capital management policies and conducted effective financial capital management under centralized management to sustain appropriate and sufficient levels of cash and bank balances.

Loans and net gearing ratio

As of December 31, 2023, the Group had no bank loans or borrowings and therefore had a net cash position. Net gearing ratio is calculated as our total interest-bearing borrowings minus cash and cash equivalents divided by total equity as of the end of the relevant period. Accordingly, net gearing ratio is not applicable to the Group as of December 31, 2023.

Contingent Liabilities

As of December 31, 2023, the Group had no material contingent liabilities.

Pledge of Asset

As of December 31, 2023, the Group had no pledge of assets.

Impact of Exchange Rate Fluctuation

As the Group's business is mainly conducted in the PRC, we mainly adopt RMB as the settlement currency.

As of December 31, 2023, non-RMB assets are cash and cash equivalents, including HKD-denominated assets (worth RMB386.7 million) and USD-denominated assets (worth RMB5.7 million). As of December 31, 2023, the Group's exposure to foreign exchange risk was limited and fluctuation of the exchange rate between RMB and foreign currency had no significant impact on the results of operations of Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

1. Use of Net Proceeds from the Global Offering

The H Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on September 29, 2022 by way of Global Offering. The net proceeds from the Global Offering (after the full exercise of the Over-allotment Option in part) amounted to approximately RMB5,617.2 million after deducting the underwriting fees and other related expenses payable by the Company in connection with the exercise of the Over-allotment Option.

The proceeds from the Global Offering will continue to be utilized in accordance with the plans disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated September 19, 2022 (the "**Prospectus**"). The following table sets forth a breakdown of the utilization and proposed utilization of the net proceeds as at December 31, 2023:

Items	**Percentage of total amount** *(Approximation)*	**Net proceeds disclosed in the Prospectus** *(RMB million)*	**Amount utilized as at December 31, 2023** *(RMB million)*	**Balance** *(RMB million)*	**Expected timetable for the full use of the balance**
Financing the development of our replicating the success of our "Onewo Town" model to achieve economies of scale	35%	1,966.0	253.4	1,712.6	By the end of 2027
Investing in the development of AIoT and BPaaS solutions	25%	1,404.3	414.2	990.1	By the end of 2027
Incubating the Onewo ecosystem through acquisitions of majority interests in value added service providers and service providers along the upstream and downstream supply chain of our industry	20%	1,123.5	0.8	1,122.7	By the end of 2027
Attracting and nurturing talents	10%	561.7	6.1	555.6	By the end of 2027
Working capital and general corporate purposes	10%	561.7	532.9	28.8	By the end of 2027
Total	100%	5,617.2	1,207.4	4,409.8	

2. Significant Investments, Material Acquisitions and Capital Asset Plans

As of December 31, 2023, the Group had not made any significant investments, material acquisitions, or disposals of subsidiaries, associates and joint ventures.

In addition, save as the plans disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific plans to make significant investments or acquire material capital assets. However, the Group will continue to seek new opportunities for business development in accordance with the Company's strategy. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

3. Employees and Remuneration Policy

Our journey as a company providing property services started in 1990. Over the last three decades, the Group has established a strong service culture as well as a customer-centric and creative service team. The Group has further developed an inheritable corporate culture and operating system centered on the values of "Service", "Champion" and "Positivity", which are crucial for us to keep attracting and retaining talents that meet our business development needs. In addition, the structure of human resources of the Group includes customer service, sales and marketing, research and operations, property and project delivery, as well as functional support personnel, etc., forming a diversified and all-rounded team that lays the foundation for our business development.

As of December 31, 2023, the Group had 101,284 employees (December 31, 2022: 97,930 employees), and the total staff costs during the Reporting Period was approximately RMB11,288.7 million. Remuneration and benefits of the employees of the Group include basic salaries, discretionary bonus, and social security fund and housing provident fund, which were determined based on the nature of work, work performance and market conditions. The Group also offers competitive remuneration and employee stock ownership plan for its employees, especially key employees.

Employee training plan

Onewo built a broad development platform for employees. According to the business needs and employees' personal career planning and development, a training system that is beneficial to employees' development was established to provide diversified career development paths and learning opportunities.

1. *"Onewo Dream" Development (「萬紫千紅」好發展)*

   The Group launched the employees development project from 2019 and built a multi-path development mechanism with professionalization, diversification and full business scenarios for front line employees, to encourage them to explore new career paths and help them move to a larger development stage and gain more labor income. The Group provides front line employees with rich skill trainings and diversified business direction choices, and helps front line service staff transition to other positions that are more skilled and more irreplaceable. During the Reporting Period, the Group assisted 2,598 front line employees to successfully transfer to grid coordinators, asset coordinators, mechanical and electrical experts, and digital operation, etc. Since the inception of the "Onewo Dream" Development project in 2020, the Group has successfully helped a total of 7,771 front line employees transfer to other positions.

2. *Kilo Plan (千人計劃)*

The Group actively supports front line workers to pursue advanced study, and subsidizes front line employees to achieve "senior high school to junior college transfer (高升專)" and "junior college to bachelor's degree transfer (專升本)" by providing scholarships, helping them improve their academic qualifications. In 2010, the Group launched the "Double Hundred Plan (雙百計劃)", and planned to provide 200 front line employees with the opportunity to improve their academic qualifications through "senior high school to junior college transfer" every year. In 2021, the Group had upgraded the "Double Hundred Plan" to the "Kilo Plan". The Group plans to provide 1,000 front line employees with the opportunity to improve their academic qualifications through "senior high school to junior college transfer" and "junior college to bachelor's degree transfer" every year, and provide each participant with a scholarship of RMB5,000 to RMB7,000.

3. *Talent training and development*

We are well aware that talent is the core driving force to promote sustainable development of enterprises. Therefore, we attach great importance to seeking and empowering talents, and establish talent reserves for key positions such as supervisor and manager. In 2023, the Group continued to implement the prevailing talent system, innovated constantly, optimized talent selection mechanism, and improved the quality of talent selection, to meet the requirement of business development better. We continued to strengthen new employee induction training and provide the on-the-job professional skill training and first aid skill certification course to ensure that employees are equipped with necessary skills and knowledge to play a key role when necessary. To promote talent development, the Group planned and implemented a series of talent training and development projects in 2023, including:

- Leadership training camp: improving the leadership level of administrators at each level;

- Key position ability certification: arranging key positions in business operation to ensure that key position personnel are equipped with professional abilities required for;

- Digital compass project for talent: achieving more precise talent management through digital technology-assisted talent selection and training;

- Executive coach program: professional training by retired senior management through external executive coaches, and guidance for active senior managers, to drive the improvement of organizational performance;

- First aid skill training for positions facing customer: providing necessary first aid skill training and certification for front line service staff; currently, it has covered more than 39,000 on-the-job employees;

- Other skill and knowledge training for front line service staff.

4. Major Events after the Reporting Period

There were no major events affecting the Group after the Reporting Period and up to the date of this announcement.

5. Purchase, Sale and Redemption of the Listed Securities of the Company

On June 16, 2023, the Annual General Meeting, the Class Meeting of Domestic Shareholders and Unlisted Foreign Shareholders, and the Class Meeting of H Shareholders of the Company respectively considered and approved the grant of general mandate to the Board to repurchase H Shares. The amount of H Shares repurchased shall not exceed 10% of the total number of H Shares in issue as at the date of the Annual General Meeting, the Class Meeting of Domestic Shareholders and Unlisted Foreign Shareholders, and the Class Meeting of H Shareholders.

The Company started the H Shares repurchase on December 11, 2023. As of December 31, 2023, the Company has repurchased 2,185,600 H Shares in total, representing 0.19% of the total share capital of the Company as of December 31, 2023, and the total amount paid was approximately HK$53,538,882.52 (excluding transaction fees). The Board believes that repurchase of shares under the current market conditions will demonstrate the Company's confidence in the development and prospects of its business and will ultimately benefit the Company and create a return of value for the Shareholders, which is in the interests of the Company and the Shareholders as a whole. For the year ended December 31, 2023, the monthly report on H Shares repurchase is as follows:

Month of Repurchase	Number of Shares Repurchased	Price per Share Highest *(HK$/per Share)*	Price per Share Lowest *(HK$/per Share)*	Total Amount *(HK$)*
December 2023	2,185,600	26.00	22.60	53,538,882.52

Save as set forth above, during the Reporting Period, the Group and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

6. Corporate Governance Code

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance and to the best knowledge of the Directors, the Company has complied with the applicable code provisions set out in the CG Code during the Reporting Period, save as disclosed below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Zhu Baoquan is our chairman of the Board and the general manager of the Company and the roles of Mr. Zhu Baoquan have not been separated as required under code provision C.2.1 of the CG Code.

In view of the fact that Mr. Zhu Baoquan has been managing and operating the Company as the chairman, an executive Director and the general manager since February 2011, the Board believes that Mr. Zhu Baoquan should continue to assume the responsibilities of the general manager of the Company as this arrangement will improve the efficiency of the Company's decision-making and execution process and provide strong and consistent leadership to the Company. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in the circumstances of the Company. The Board will review the current structure from time to time and will make any necessary arrangement as appropriate.

7. Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its code for dealing in securities in the Company by the Directors and supervisors of the Company (the "**Supervisors**").

After specific enquiries made to all Directors and Supervisors, Directors and Supervisors have confirmed compliance with the required standards set out in the Model Code during the Reporting Period.

8. Audit Committee

The Board of the Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the CG Code. The Audit Committee is mainly responsible for reviewing, supervising and coordinating internal and external audit procedures, proposing the appointment or replacement of external auditors, and reviewing the Company's financial information and disclosures as well as the Company's internal control system and other matters authorized by the Board.

The Audit Committee consists of three members, namely Ms. Law Elizabeth (羅君美), Mr. Wang Wenjin (王文金) and Mr. Chen Yuyu (陳玉宇). The Audit Committee has reviewed the Company's consolidated financial information for the year ended December 31, 2023 and has discussed with the Company's external auditor, Ernst & Young, confirming that the Group's consolidated financial information has complied with all applicable accounting principles, standards and requirements, and has been adequately disclosed. The Audit Committee has also discussed the matters of audit and financial reporting.

Ernst & Young, the Group's auditor, agreed that the figures in the Group's consolidated statements of profit or loss, consolidated statements of comprehensive income and consolidated statements of financial position for the year ended December 31, 2023 as set out in this announcement and related notes hereto are consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement conducted in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standard on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and therefore no assurance has been expressed by Ernst & Young on this announcement.

9. Annual General Meeting

The Annual General Meeting (the "**AGM**") of the Company will be held on May 10, 2024. A notice of the AGM will be published and despatched to the Shareholders in due course.

10. Final Dividend

The final dividend of RMB0.241 (equivalent to HK$0.26426) per share (including tax) totalling RMB284.0 million (equivalent to HK$311.4 million) for the year ended December 31, 2022, was approved by Shareholders at the Annual General Meeting of the Company held on June 16, 2023, and was paid during the year.

On August 24, 2023, the Board declared an interim dividend of RMB0.315 (equivalent to HK$0.3461) per share (including tax) for the six months ended June 30, 2023, and provided the "scrip dividend" option to H Shareholders, which means H Shareholders may choose the options to receive their dividends in cash or shares of the same value, which has been approved by shareholders at the extraordinary general meeting of the Company held on December 8, 2023. As a result, the Company issued an aggregate of 2,768,729 scrip H shares for an aggregate amount of approximately RMB63.5 million in accordance with the "scrip dividend" scheme on March 1, 2024, and distributed a cash dividend of an aggregate amount of approximately RMB307.7 million.

At a meeting held by the Board on March 22, 2024, the Board proposes to distribute profits to shareholders accounting 55% of the core net profit (RMB1,286.8 million) for the year ended December 31, 2023. Based on 1,178,468,700 shares of the Company as of December 31, 2023, the profit distribution for the year is RMB1.092 per share (including tax) (including an interim dividend paid of RMB0.315 per share (including tax)). The final dividend payable for the year ended December 31, 2023 will be RMB0.777 (including tax), totally RMB915.5 million. 2023 Final Dividend is subject to the approval of Shareholders at the forthcoming AGM of the Company. 2023 Final Dividend is expected to be paid in cash on or about June 3, 2024 to the Shareholders whose names appear on the register of members of the Company on May 21, 2024.

The Company will publish, among others, further details of the Company's payment of 2023 Final Dividend in due course.

Dividend Taxes

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation rules and the Notice of the State Taxation Administration on Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H shareholders who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (國家稅務總局《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)), as a PRC Domestic Enterprise, the Company will, after withholding 10% of the final dividend as enterprise income tax, distribute the final dividend to non-resident enterprise Shareholders whose names appear on the H Shares register of members (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 organizations and groups). After receiving dividends, the non-resident enterprise Shareholders may apply to the competent 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 competent 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 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 treatment under tax treaties, provided that the relevant Shareholders submit the relevant documents and information required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Non-resident Taxpayers (State Taxation Administration 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 in a timely manner. The Company will assist with the tax refund for the overpaid tax 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 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.

11. Closure of Register of Members

For determining the entitlement of the Shareholders to attend and vote at the AGM

The register of members of the Company will be closed from May 7, 2024 to May 10, 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on May 6, 2024.

For determining the entitlement of the Shareholders to the proposed 2023 Final Dividend

Subject to the approval by Shareholders of the Company at the AGM, the 2023 Final Dividend will be paid on or about June 3, 2024. For determining the entitlement to the proposed 2023 Final Dividend, the register of members of the Company will be closed from May 17, 2024 to May 21, 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed 2023 Final Dividend, all share transfer documents of the Company accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on May 16, 2024.

12. Publication of Annual Results Announcement and Annual Report on the Websites of the Stock Exchange and the Company

This announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://www.onewo.com). The annual report of the Company will be dispatched to the Company's Shareholders and published on the above websites in due course.

This annual results announcement is prepared in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

By order of the Board
Onewo Inc.
Zhu Baoquan
Chairman, executive Director and general manager

Shenzhen, the PRC, March 22, 2024

As of the date of this announcement, the board of directors of the Company comprises Mr. Zhu Baoquan as Chairman and executive Director; Mr. He Shuhua as executive Director; Mr. Wang Wenjin, Mr. Zhang Xu, Mr. Sun Jia, Mr. Zhou Qi and Mr. Yao Jinbo as non-executive Directors; Ms. Law Elizabeth, Mr. Chen Yuyu, Mr. Shen Haipeng and Mr. Song Yunfeng as independent non-executive Directors.