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 Report 2022

CONTENTS

CORPORATE MILESTONES

January

On January 1, Vanke Service established the "Elevator Trapped People Care Fund" and launched the "Elevator Not Trapped People" action. Within one year of implementation of such action, the number of elevator trapped people decreased by 57.14%.

On January 4, the Onewo Towns Working Group was formally established to comprehensively promote the No. 1 strategy of Onewo Towns, aiming to promote the reform of the labor supply side and reshape space efficiency through the integration in the select sub-districts and super work order system.

February

On February 17, 5 communities under Vanke Service's management were listed on "Better Community" by the MOHURD, and awarded for National Top 100 Classic Cases in "Better Property Management, Better Community". We continue to promote the construction of beautiful community, pursuing excellent property management services for more people.

In February, Cushman & Wakefield Vanke Service successfully completed the service guarantee task for the 2022 Winter Olympics venue and the main media center MMC venue of major projects in Beijing, ensured the completion and delivery of the project, and directly participated in the formulation of waste removal service standards, security, security inspection and facility operation and maintenance services for the Winter Olympics to ensure the normal operation of the project during the Winter Olympics.

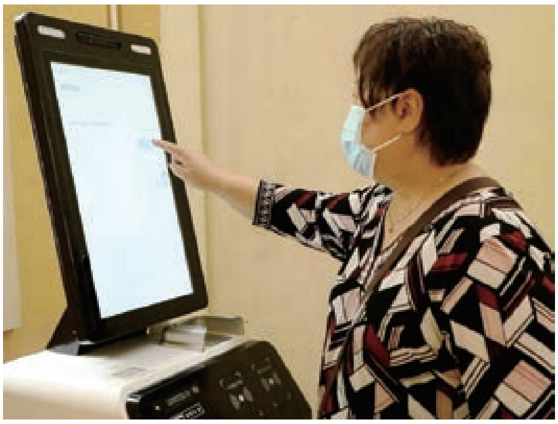
March

On March 16, the Company added an honorary title of "Onewo Volunteer" for the anti-epidemic warriors. The Company held a farewell ceremony for the first batch of 253 "Dr. Big Whites" who evacuated from Shatou Street to commend all the volunteers.

CORPORATE MILESTONES

April

On April 15, "Pineapple No. 1" were installed in 12 Vanke Service communities in Shenzhen and Wuhan, aiming to achieve to solve all the daily needs of owners in 7*24 and one stop and improve the work efficiency of the "Fortune Depot" (幸福驛站).



May

On May 19, Bantian Onewo Town was accepted after checking, hence the birth of the first Onewo Town. It involves many procedures which took one and a half months to ensure the successful acceptance: Starting a joint working group, concurrently developing the three lines, namely processes, products and sites, forming a transformation plan, and displaying the convergence and focus effect. Bantian Onewo Town serves as the foundation for the subsequent transformation of other Onewo Towns.

CORPORATE MILESTONES

June

On June 23, Vanke Service was among the first movers in the industry to promote the AED facilities entering into communities and CPR certification, in order to continually improve the resilience of service spaces to social and environmental risks to reduce the abnormal casualty within our service spaces.

July

On July 5, Nightly News of CCTV 1 focused on and reported the operation model of integrated "Block + Community" in Xima new village community of Jianghan City Resources service project, which is the member enterprise of City Up. Constantly improving grassroots governance and solving the "urgency, difficulty and anxiety" in the hearts of the people is the appropriate meaning of the Company to respond to the new expectations of the people for a better life.

August

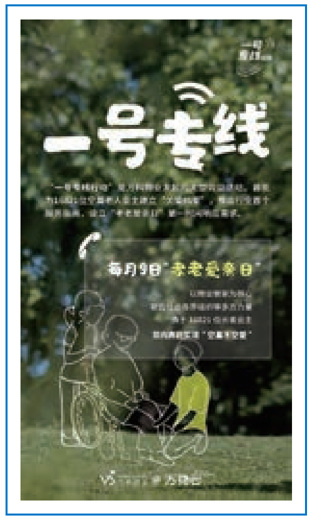
On August 21, Onewo Picks (萬物研選) held its first suppliers signing ceremony and the first centralized supply chain product was launched. 22 business partners joined the discussion about how to develop the stock market in future, which represents a new start for collaborative research and development in products, channels and service capabilities.

CORPORATE MILESTONES

September

On September 29, Onewo was listed on the Main Board of the Hong Kong Stock Exchange; the Chinese stock name of Onewo is "萬物雲" and the stock code is "HK.2602". The spin-off and listing have refreshed Onewo and we believe that this new beginning means greater growth potential for Onewo.

On September 29, Vanke Service and Shenzhen Property Management Association jointly published the Manual of Services to Empty Nesters《空巢老人服務手冊》, first of its kind in the industry and launched the "Dedicated Access Initiative" for helping the empty nesters. Vanke Service has worked with residential communities under its management on providing a series of socially responsible services for the elderly owners on a case-by-case basis.



October

On October 10, Zhuyingtai realized the aggregation of work orders and closed loop for entire life cycle of work orders, such as receiving, processing, acceptance and evaluation on the same interface. At the same time, it is compatible with all types of original work order processes and experiences, which greatly improved the processing efficiency of work orders and user experience.

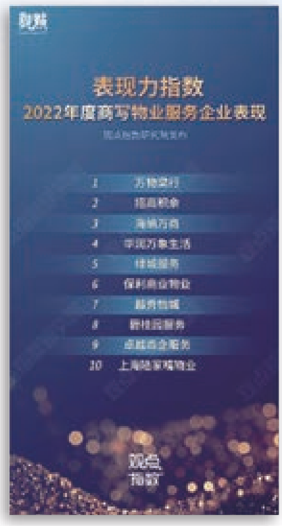
November

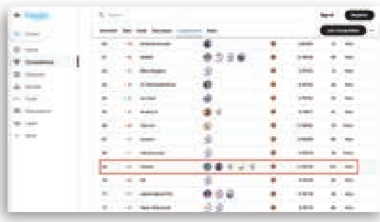
On November 21, four major brands of property management companies, the Chang Cheng Property, Greentown Service, Vanke Service and China Overseas Property, jointly signed the Proposal for Residential Property Service 《住宅物業服務倡議書》 in Shenzhen, issuing a joint initiative for the industry and society on taking the road to independent and sustainable development, the Management Regulation 《管理規約》, promoting the establishment of the general meeting of property owners and property owners' association, sunny and transparent services, and maintaining long-term value of assets, etc.

December

On December 28, the annual topic of research on the renewal strategy of underserved old residential properties and the participation of enterprises in urban governance was released, which sharing the methods to promote the transformation of urban governance to agile governance, and revealing the operation mode, public value and potential challenges of territory-wide urban governance.

CORPORATE HONORS





No.	Honor	Granted by
1	Onewo Service ranked first in the 315 Satisfaction Survey of China's Property Management Services	Leju Finance
2	Cushman & Wakefield Vanke Service was top 1 on the list of "Performance Index · Performance of Commercial Property Management Services Providers in 2022" issued by the Guandian Index Institute	Guandian Index Academy
3	Cushman & Wakefield Vanke Service won the Excellence in Management Award issued by the Harvard Business Review magazine	Harvard Business Review
4	Cushman & Wakefield Vanke Service was recognized as a "Company with Excellent Business Model" by the 21st Century Business Summit Forum in 2022	Southern Finance Omnimedia Corp. 21st Century Business Review 21st Century Business Herald
5	Onewo won the Guru Club Greater China Best Listed Company Awards – Most Valuable IPO of the Year issued by the Guru Club	Guru Club
6	Onewo was the bronze medal winner in CVPR2022 Workshop on Image Matching	IEEE Conference on Computer Vision and Pattern Recognition

CORPORATE HONORS

No.	Honor	Granted by
7	City Up ranked in the first position among the 2022 Top 10 Enterprises in Urban Services selected by CRIC (克而瑞)	Shanghai E-House Real Estate Research Institute
8	Vanrui IntelliTech was selected as one of the 2022 TOP 20 Leading Science and Technology Enterprises by Real Estate Digital Power by CRIC	CRIC
9	China Association of Communication Enterprises – ICT China Innovation Award (2022) Excellent "Innovation Pioneer" – A whole-area smart operation model for urban governance based on "Cloud City Captain (雲城隊長)"	China Association of Communication Enterprises PT EXPO CHINA
10	China Association of Communication Enterprises – ICT China Innovation Award (2022) Excellent "Innovation Pioneer" – An innovative community governance model of "city-as-a-property (物業城市)" in the Guangdong-Macao In-Depth Cooperation Zone in Hengqin	China Association of Communication Enterprises PT EXPO CHINA
11	China Association of Communication Enterprises – ICT China Innovation Award (2022) Best "Innovation Pioneer" – A "whole-area smart operation" model for urban governance in Jianghan District of Wuhan City	China Association of Communication Enterprises PT EXPO CHINA
12	Vanrui IntelliTech received the certificate of top 50 Benchmark Cases of IoT Application in China for 2022	China IoT Industry Application Alliance Shenzhen Internet of Things Industry Association

LETTER TO SHAREHOLDERS

Standing on solid ground, we insist on our principal businesses. Looking up at the starry sky, we aspire to the vision of industrial interconnection. "Onewo Town+" is our exploration and practice of industrial interconnection.

Mr. Zhu Baoquan
Chairman, Executive Director and General Manager

WHERE TIME MEETS SPACE

2022 was set to be a challenging year. Despite years of regulation, developers were found heavily indebted one after another, and new home sales plummeted. The expected smooth transition from an incremental market to a stock market has become an unexpectedly steep curve. The intensity of such shocks is historically rare. Developers, who were traditionally the generous clients of property management service provider, suddenly became short of money, as evidenced by a sharp decline in the figures on financial statements in pre-delivery support services business and sales center business caused by the contracted commencement of sales (especially in the second half of the year), an increase in arrears of property fees and a rise in other related receivables resulting from newly delivered unsold vacant houses. Agency sale of developers' parking space assets, which was formerly considered a lucrative business, has leveled off. Previously, all of these businesses were notable sources of gross profits displayed in the financial statements of the property management service providers.

Enterprises of the times must be able to withstand the test of time. If it were not for the gloomy market in the real estate sector, the property management service industry might still remain in its comfort zone with the traditional income structure. Thus, we have to face the fact that only by doing a good job in basic services can we win customer reputation. In this way, we can continue to thrive on the long and challenging path. The businesses of Onewo also need to face the problems brought by developers to property management service providers. However, from the financial report, it is encouraging to find that our principal businesses relating to residential and commercial office properties have both maintained solid growth in revenue, with a steady increase in the adjusted gross profit on a comparable basis and outstanding operating net cash flow performance.

In light of the challenges faced by developers today, our Company has proceeded to reduce our dependence on connected transactions with the parent company and has diversified our customer base to hedge against the risks of relying on a single source of business since 2019. Through our brand "Cushman & Wakefield Vanke Service", we have become a strategic property management service provider for leading enterprises in industries including the Internet, finance and high-end manufacturing. In 2022, the revenue generated from property and facilities management services provided to third parties amounted to RMB6.40 billion, representing 84.8% of the total revenue. Additionally, we engaged 16 new clients from the global top 500 enterprises and China's top 500 enterprises, as well as 8 unicorn clients, including top corporate clients in various fields such as new energy, semiconductor, and aerospace.

"City-as-a-property (物業城市)" is an industry strategy proposed by our Company in 2018 to help Chinese property management service providers to shift towards city governance. In the pilot phase, we selected nearly 70% of the contracts to be operated through minority shareholding and our tech business was launched. The remaining, or approximately 30% of the contracts, was entered into through direct engagement or direct control according to the status of clients. Based on the results of our practice in 2022, we found that the gross profit of the latter model was lowering, while the business model based on minority shareholding management was further validated, particularly in its ability to facilitate the implementation of smart city products.

LETTER TO SHAREHOLDERS

Indeed, from the perspective of the spatial IoT strategy of "Onewo", the growth of the smart community and smart city business is more important. In terms of data, AIoT solutions generated a revenue of RMB1.38 billion, representing a year-to-year increase of 13.9%, and contributed a gross profit of RMB420 million, representing a year-to-year increase of 41.2%, with the gross profit margin rising to 30.7%. Additionally, BPaaS solutions achieved a revenue of RMB993 million, representing a year-to-year increase of 56.7%, and contributed a gross profit of RMB327 million, representing a year-to-year increase of 29.5%, with the gross profit margin reaching 32.9%. Onewo has successfully achieved a breakthrough by forming a synergistic development strategy in cooperation with leading science and technology enterprises.

2022 was doomed to be a more challenging year than expected. The sight of hindrance of people and goods, deserted streets and empty cities due to lockdown is still fresh in our minds. The reality we must face is the significantly increased cost of ensuring customer service quality and adequate supply of human resources, with the costs of community service for guaranteeing safety exceeding RMB100 million. Our home decoration business, which we had planned to conduct with great enthusiasm, did not meet our expectations due to the inability to deliver. In December, during the time when the owners usually pay their bills, the service fee collection was significantly impacted as most employees were put on furlough. Despite the unprecedented pressure, all segments of Onewo withstood the test. "Vanke Service" once again earned high praise from the owners across the country for guaranteeing community safety during emergencies. "Cushman & Wakefield Vanke Service" was also recognized by clients for staying with them through thick and thin, and "City Up" was regarded by the governments as a solid brand ready to serve and able to win. To some extent, these costs have been converted to the intangible assets that cannot be credited to the financial statements yet.

Our acquisition of Yango Intelligent and Bon Property in 2021, as well as the consolidation of the results of Shouwan Yuye Property in 2022, contributed to the goodwill and intangible assets that are included in the financial statements. Following our prudent financial policy, we adhere to the proper amortization of intangible assets, which impacts the figures on the income statement. Meanwhile, we also made full use of our post-investment integration capabilities, as proven by our investment in Cushman & Wakefield Vanke Service, to smoothly integrate the functional departments and residential property management segments of Yango Intelligent and Bon Property into our Company. We fully leveraged the strengths of the original team in areas such as the Fujian market, affordable residential property, medical facility management service to ensure that goodwill truly creates value.

The current pandemic and the sluggish state of the real estate market should be seen as crises in which lie opportunities. In such a context, it is essential to remain resolute in our commitment to the strategic goals.

LETTER TO SHAREHOLDERS

With its traditional businesses integrating with the spatial IoT business, Onewo is creating an industrial interconnection ecology called "Onewo Town +". Within a geographical space of a three-kilometer radius, we break through the walls of traditional residential properties and enhance service efficiency through systematic changes made by intelligent IoT hardware to the service process and the change of enabling personnel dispatched from intra-community to cross-community, and this is "Onewo Town + property management service". In terms of data, the number of Onewo Towns increased from 459 to 584 in 2022. During the same period, we successively completed efficiency improvement and renovation for 38 Onewo Towns, which involved 329 projects, created a revenue of RMB820 million. With the efficiency investment and renovation cost of approximately RMB160 million, we achieved cost saving of over RMB30 million in 2022, which ultimately increased the gross profit margin of basic residential property management service by 4% throughout the year, and we also replicated the Bantian Onewo Town model and made good use of the investors' money. In addition, within this same geographical space, intelligent coordination of maintenance staff constitutes "Onewo Town + Home Renovation and Furnishing". For the 31 Onewo Towns in the home renovation and furnishing pilot areas, a contract value of RMB210 million was achieved, representing a year-to-year increase of 118.8%, while we maintained a high satisfaction rate of over 90%. The ecological business of Onewo Town is also gradually expanding. In the 38 Onewo Towns, the revenue from commercial property and facility management business increased by RMB160 million year-to-year. Along with such expansion, the industry interconnection ecology featuring "Onewo Town + Community Commerce", "Onewo Town + Elevator" and "Onewo Town + 'X'" is taking shape. In 2023, we plan to pilot, explore and iterate in over 100 Onewo Towns.

People may have different answers to what industrial interconnection is as their angles vary. I asked AI what industrial interconnection is and picked a few key words from its answer to share with you: Integration with traditional industries, intelligent IoT, intelligent coordination, cloud platform, and improvement in supply chain efficiency. These are the goals we either have accomplished or are currently striving for. While Internet companies are searching for offline opportunities, traditional industries are seeking ways to expand their online presence.

Where time meets space, there is industrial interconnection. In this case, shareholders' trust is indispensable. Therefore, both you and Onewo are meant to be parts of the plan.

Onewo Inc.
Zhu Baoquan
Chairman, Executive Director and General Manager

Shenzhen, China, March 27, 2023

DEFINITIONS

"Annual General Meeting"	the forthcoming annual general meeting of the Company to be held on Friday, June 16, 2023
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"Corporate Governance Code" or "CG Code"	Corporate Governance Code set out in Appendix 14 of the Listing Rules
"China" or "the PRC" or the "People's Republic of China"	the People's Republic of China, and for the purpose of this annual report for geographical reference only
"China Vanke"	China Vanke Co., Ltd. (萬科企業股份有限公司), a joint stock limited company incorporated in the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange (stock code: 2202) and Shenzhen Stock Exchange (stock code: 000002), respectively, and a Controlling Shareholder of our Company
"China Vanke Group"	China Vanke and its subsidiaries
"Retained China Vanke Group"	China Vanke and its subsidiaries, excluding the Group
"Company", "our Company", "the Company", "Onewo"	Onewo Inc. (萬物雲空間科技服務股份有限公司), a limited liability company incorporated in the PRC on February 20, 2001 and converted into a joint stock limited company incorporated in the PRC on March 20, 2018
"Controlling Shareholder(s)" or "Controlling Shareholders Group"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to China Vanke, Shenzhen Wanqing Management Consulting Co., Ltd. (深圳市萬頃管理諮詢有限公司), Shenzhen Wanhu Management Consulting Co., Ltd. (深圳市萬斛管理諮詢有限公司), Shenzhen Wanmazhengxian Management Consulting Co., Ltd. (深圳市萬馬爭先管理諮詢有限公司), Shenzhen Yingda Investment Fund Management Co., Ltd. (深圳市盈達投資基金管理有限公司), Shenzhen Wanshuzhimiao Management Consulting Co., Ltd. (深圳市萬殊之妙管理諮詢有限公司) and Shenzhen Wanhuquanyuan Management Consulting Co., Ltd. (深圳市萬斛泉源管理諮詢有限公司)
"Director(s)" or "our Directors"	the director(s) of our Company

"Domestic Shares"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors
"Employee Shareholding Platforms"	collectively, Ruida I Limited, Ruida II Limited, Ruida III Limited, Ruida IV Limited and Ruida V Limited
"Global Offering"	the Hong Kong Public Offering and the International Offering (including the Preferential Offering to Qualifying China Vanke H Shareholders) of the Offer Shares, details of which are set out in the Prospectus
"Group", "our Group", "the Group", "we", "us" or "our"	our Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"HK$", "Hong Kong dollars", "HK dollars" or "cents"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Third Party" or "Independent Third Parties"	individuals(s) or company(ies) or their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company, its subsidiaries or any of their respective associates within the meaning ascribed thereto under the Listing Rules
"Latest Practicable Date"	April 19, 2023, being the latest practicable date for the purpose of ascertaining certain information in this annual report prior to its printing
"International Financial Reporting Standards"	International Financial Reporting Standards issued by the International Accounting Standards Board from time to time
"Listing Date"	the date on which the dealing in the Shares first commences on the Stock Exchange, being September 29, 2022
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Nomination Committee"	the nomination committee of the Board

DEFINITIONS

"Remuneration Committee"	the remuneration and evaluation committee of the Board
"Prospectus"	the prospectus of the Company dated September 19, 2022 in connection with the Global Offering
"Reporting Period"	the year ended December 31, 2022
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Unlisted Shares and our H Shares
"Shareholder(s)"	holder(s) of our Share(s)
"Supervisor(s)"	the supervisor(s) of our Company
"Unlisted Foreign Shares"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in currency other than RMB by foreign investors and not listed on any stock exchange
"Unlisted Shares"	Domestic Shares and Unlisted Foreign Shares
"%"	percentage

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Baoquan *(Chairman of the Board)*
Mr. He Shuhua

Non-executive Directors

Mr. Wang Wenjin
Mr. Zhang Xu
Mr. Sun Jia
Mr. Zhou Qi
Mr. Yao Jinbo

Independent Non-executive Directors

Ms. Law Elizabeth
Mr. Chen Yuyu
Mr. Shen Haipeng
Mr. Song Yunfeng

SUPERVISORS

Ms. Xiang Yun *(Chairperson)*
Ms. Han Huihua
Mr. Wu Jianxia

BOARD COMMITTEES

Audit Committee

Ms. Law Elizabeth *(Chairperson)*
Mr. Wang Wenjin
Mr. Chen Yuyu

Remuneration Committee

Mr. Shen Haipeng *(Chairperson)*
Mr. Zhu Baoquan
Mr. Song Yunfeng

Nomination Committee

Mr. Zhu Baoquan *(Chairperson)*
Mr. Song Yunfeng
Mr. Chen Yuyu

JOINT COMPANY SECRETARIES

Mr. Huang Min
Ms. Ng Wai Kam (ACG, HKACG)

AUTHORIZED REPRESENTATIVES

Mr. Zhu Baoquan
Mr. Huang Min

ALTERNATE AUTHORIZED REPRESENTATIVE

Ms. Ng Wai Kam (ACG, HKACG)

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISERS

As to Hong Kong laws:

Paul Hastings
22/F, Bank of China Tower
1 Garden Road
Hong Kong

As to PRC laws:

JunHe LLP
Suite 2803-04
28th Floor, Tower Three, Kerry Plaza
No. 1-1, Zhongxinsi Road, Futian District
Shenzhen
PRC

CORPORATE INFORMATION

COMPLIANCE ADVISER

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Meilin Vanke Center
No. 63 Meilin Road
Futian District, Shenzhen
PRC

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER IN THE PRC

Meilin Vanke Center
No. 63 Meilin Road
Futian District, Shenzhen
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1806-07, 18/F, Laws Commercial Plaza
788 Cheung Sha Wan Road
Kowloon
Hong Kong

PRINCIPAL BANKS

Bank of China Meilin Sub-branch
No. 67 Meilin Road, Futian District, Shenzhen, Guangdong

Agricultural Bank of China Shenzhen Luohu Sub-branch
No. 2087 Shennan East Road, Luohu District, Shenzhen

Industrial and Commercial Bank of China Shenzhen Huacheng Sub-branch
1/F, Wenshan Building, No. 2052 Jiefang Road, Luohu District, Shenzhen, Guangdong

China Construction Bank Corporation Business Division of Shenzhen Branch
No. 8 Pengcheng 1st Road, Futian District, Shenzhen, Guangdong

China Merchants Bank Shenzhen Dongmen Branch
1-2/F Waimao Qinggong Tower, No. 1002 Aiguo Road, Luohu District, Shenzhen

China Citic Bank Shenzhen Chengshiguangchang Flagship Sub-branch
1/F, CITIC Building, No. 1093 Shennan Middle Road, Futian District, Shenzhen

WEBSITE

https://www.onewo.com/

STOCK CODE

2602

LISTING DATE

September 29, 2022

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Company for the past four financial years is set out below:

Consolidated results

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**30,105,803**	23,704,539	18,145,464	13,927,289
Profit before tax	**2,020,773**	2,320,009	2,108,873	1,454,721
Income tax expense	**(434,678)**	(605,718)	(590,018)	(414,442)
Profit for the year	**1,586,095**	1,714,291	1,518,855	1,040,279
Attributable to:				
Owners of the parent	**1,510,490**	1,667,642	1,464,039	1,019,894
Non-controlling interests	**75,605**	46,649	54,816	20,385
	1,586,095	1,714,291	1,518,855	1,040,279

Consolidated financial position

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	**15,121,034**	15,015,883	6,796,065	6,140,312
Current assets	**21,788,788**	13,708,383	12,207,692	9,985,705
Current liabilities	**17,713,544**	16,281,888	11,512,169	9,771,856
Net current assets/(liabilities)	**4,075,244**	(2,573,505)	695,523	213,849
Total assets less current liabilities	**19,196,278**	12,442,378	7,491,588	6,354,161
Non-current liabilities	**2,195,296**	2,129,800	926,998	683,738
Net assets	**17,000,982**	10,312,578	6,564,590	5,670,423
Equity attributable to owners of the parent	**16,459,709**	9,893,445	6,255,014	5,488,653
Non-controlling interests	**541,273**	419,133	309,576	181,770
Total equity	**17,000,982**	10,312,578	6,564,590	5,670,423

Note: The Company's H Shares were listed on the Main Board of the Stock Exchange on September 29, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the consolidated financial information of the Group, including the related notes, set out on pages 107 to 212 of this annual report.

Industry Review

- ### Independence Reflection – Reliance on Developers Exacerbates Industry Volatility

  The third-party independence was a hot topic when property management service providers entered the capital market. However, in recent years, capital seems to prefer the business relationship between property management service providers and the parent company of developers. Indeed, the parent company's easily obtainable incremental projects and the developer's value-added services with high gross margins enhance the financial statements of property management service providers. According to CREIS, as of the first half of 2022, for more than one-third of property management service providers in China (excluding Hong Kong, Macao and Taiwan) listed on the Hong Kong Stock Exchange that have announced the source of area under management, over 50% of their scale is sourced from related parties. Property management service providers still mainly depend on the incremental project support from related parties to increase their scale. According to the National Bureau of Statistics, the sales of commodity housing in China (excluding Hong Kong, Macao and Taiwan) decreased by 26.7% in 2022 as compared to the same period of last year, and the decline in sales of major customers imposed a greater pressure on the growth, profitability, accounts receivable and cash flow of property management service providers. This will reignite thinking about property management service providers getting rid of the dependence on the developer industry and the third-party independence needed to promote customer diversification.

- ### M&A Reflection-Large-Scale M&A Accumulates Operating Pressure

  According to CREIS, in 2021, the median P/E ratio of listed property management service providers was as high as 46.7 times. Historical acquisitions through financing have become a hot topic in the industry. The price of the acquired target has also risen, which is reflected as the high goodwill and intangible assets in the financial statements. The sudden consolidation of the industry has brought a great challenge to the management and operational capabilities of property management service providers. In 2022, along with the continued downturn in developers, the valuation center of the property industry has shifted downward simultaneously, and the growth model of the industry has been challenged and questioned. Besides, the difficulties encountered by the developers resulted in operating volatility and bad debts of the merged property management service providers, bringing challenges to the goodwill on the account.

• Reflection on Value-Added Services – There is no Free Lunch in the World

The value-added service of property management service providers is often based on the idea formed by local cases. When faced with large-scale growth, it will encounter problems such as talent shortage and property project restrictions. In the environment of more related party transactions, high gross profit and high P/E ratio, some cases perform well in growth. But when related party business declines and the industry suffers downturn, the new business will be, more or less, hit by slowdown in growth, decline in gross profit and lack of competitiveness. According to the statistics conducted by CRIC on the data of first half of 2022, the proportion of diversified business operating income of property management service providers decreased by approximately 4.9 percent year-to-year, and the non-owner value-added service income of some property management service providers decreased by more than 50% year-to-year. Community value-added services based on related party transactions and regional advantages of residential property are both worthy of reflection.

• Fragility and Resilience of the Property Management Service Industry

According to the data from CRIC, the average P/E ratio of the property industry was over 30 times in 2021, and as of the end of 2022, the industry level average P/E ratio was down to 7 times, with approximately 17.6 times for state-owned property management service providers and less than 7 times for private companies. The single source of business with related parties makes the development of related property management service providers lack resilience. In fact, even enterprises under the background of central or state-owned enterprises also face this problem. The service industry should inherently have a strong rigid demand attribute. Therefore, enterprises should return to the origin of business and abandon the concept of high gross margin, focus more on the establishment of customer relationships and organizational resilience, grow steadily in the uncertain market environment, and seize opportunities in the recovering market environment.

In 2022, a year full of variables and challenges, the industry should be more deeply aware that brand accumulation is not equal to scale development. There's no such thing as a free lunch. Property management service provider should build independent development strategies and talent pools to form a diversified customer base. By persevering with a yearning-for-life service spirit, we have won the reputation of customer satisfaction. By responding promptly to unexpected events, we have gained a customer-first reputation. We need to continue to pay attention to cash flow instead of just pursuing wealth on paper. It is the intangible assets accumulated in this process that make the enterprise withstand the pressure under the external shocks.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIES REVIEW

1. Onewo Town Strategy

Since 2020, the Company has continued the exploration and implementation of Onewo Town[Note 1] strategies, and summarized the DFMS model for Onewo Town.

When promoting the implementation of Onewo Town, data runs through the entire process, including using objective data to select development locations, i.e. the Company chose to increase density of property projects in the 3,402 sub-districts in 100 most economic-valuable cities in China, which requires the Company to have the ability to expand the existing market in order to obtain more marketing opportunities in target areas; it also includes investing in facility to realize changes in business processes in an intelligent IoT and data-driven manner, enabling a more efficient supply chain, creating a Localized Service Network in the Onewo Town space, and iterating and upgrading traditional industries, including but not limited to residential property services and home renovation.

– Successful site selection and construction of Onewo Town

At the beginning of 2022, the Company had 459 Onewo Towns with higher density. By deeply cultivating operations and focusing on service improvement, based on the brand influence of Vanke Service, the Company has further strengthened customer awareness in terms of transparent property, smart community, and supported asset preservation and appreciation, which helped expansion of market. In addition, the Company conducted an inventory of project information within the value sub-districts, formulated a project expansion and implementation plan, which helped achieve market goals. At the end of 2022, the total number of Onewo Town has increased to 584, providing a foundation for the implementation of subsequent strategies.

– Smooth transformation of process

In 2022, the Company completed the modification of residential service processes in 38 Onewo Towns. By intelligent modification, upgrading the equipment and facilities of the project in Onewo Town, intelligent IoT can be achieved. On this basis, the supply chain was integrated to create a workorder-driven process change within Onewo Town.

During the year, there were 14 Onewo Towns, with a total of 118 projects completed modification on August 31; and 24 Onewo Towns, with a total of 211 projects completed modification on September 30. After completing the modification of 38 Onewo Towns, it brought an equivalent of more than RMB30 million of efficiency improvement to basic residential properties in 2022. If this result was applied throughout the year, it was expected to increase the gross profit margin of basic residential properties by more than 4%. Therefore, the feasibility of the modification and efficiency improvement of the process of Onewo Town was further demonstrated, which has constructed a moat for the Company.

[Note 1] A strategically selected sub-district in which (i) the Group has multiple properties under management; and (ii) employees of the Group could commute between the properties under management within 20 to 30 minutes

– **The growth rate of home renovation and furnishing services was affected by objective factors**

During the Reporting Period, the Company promoted the decoration business pilot scheme in 31 Onewo Towns, leveraged customer demands based on standardized partial decoration business as key products, maintained a quality work team with sufficient order volume and took customer satisfaction as the core goal to drive the transformation of traditional home decoration model. Although the normal commencement of the decoration business (such as household entry, construction, and delivery) was affected by objective factors, the Company achieved RMB210 million contract value in 31 Onewo Town pilot areas, representing a year-to-year growth of 118.8% with satisfaction rate exceeding 90%. The transformation model of promoting the decoration business using the Onewo Town model has yet to be further verified.

2. Continuous and Rapid Growth of Space IoT Business

In terms of space IoT, the Company insists on investing and expanding the market through various channels. During the Reporting Period, the Company invested RMB410 million in research & development, accounting for 1.4% of its total revenue. On the one hand, it helped optimize its business efficiency, and on the other hand, it expanded channels to achieve the rapid growth in the market. During the Reporting Period, the technological revenue reached RMB2.38 billion, accounting for 7.9% of the total revenue, with a year-to-year growth of 28.5%, creating a gross profit of RMB751 million, accounting for 17.8% of the total gross profit, with a year-to-year growth of 35.9%.

– **R&D investment leads to improvement of its own operational efficiency**

During the Reporting Period, the Company has set up a digital operation center in Wuhan, which has achieved remote operation of all residential projects. During the Reporting Period, the Company successfully developed and installed the first self-service kiosk at the front desk of property in China, Pineapple No. 1, in 1,354 projects, which can achieve 7*24 uninterrupted service for basic property functions. At the same time, Lingshi servers have been laid in five Onewo Town pilot areas to achieve the combination of AI and work order scheduling in order to further improve process efficiency.

– **Strong external expansion capability of AIoT solutions**

During the Reporting Period, although part of the performance of AIoT solutions was affected by developers, the Company actively expanded various service modes, established new partnerships with high-quality customers such as leading infrastructure enterprises, large household appliance enterprises, and technology enterprises, and exported hardware products such as the Black Cat series of access control products, Ruilian series of IoT products, and Lingshi Edge servers, achieving in a revenue of RMB1.38 billion for AIoT solutions, as well as an increase in the gross profit margin.

– **Enhance competitiveness and achieve rapid growth with BPaaS solution**

During the Reporting Period, the Company has continued to optimize its BPaaS products, acquired 24 major corporate customers, and rendered BPaaS services to 38 city-as-a-property projects. By virtue of the mode of "software + operation", the Company promoted the transform of space services from the supply side, creating unique competitiveness of technological service, and providing government and corporate customers with mature process solutions. During the Reporting Period, BPaaS solutions realized revenue of RMB993 million, representing a year-to-year increase of 56.7%.

3. Diversified Customers

During the Reporting Period, the Company's client matrix became more diversified. Leveraging its insights into customer needs, the Company continuously expanded its service capabilities and boundaries in corporate services. In 2022, the Cushman & Wakefield Vanke Service brand of the Company added 24 top 500 companies and unicorn company clients in the fields like new energy and high-end manufacturing, achieving breakthroughs in the acquisition of clients from cutting-edge industries, and further consolidating its own diversification level and risk resistance capability to better serve more customers. The revenue from property and facility management services for the year amounted to RMB7.54 billion, representing a year-to-year increase of 42.7%, of which 83.9% came from the number of third-party projects, and the revenue contribution accounted for 84.8%. The saturated income from new contracts amounted to RMB4.15 billion, representing a year-to-year increase of 43.0%, of which 87.7% came from the saturated income from third parties.

At the same time, the Company continues to improve its ability to tailor services for different industries, so as to serve customers in more aspects, such as providing precision specialty device maintenance services for tens of factories in the high-end manufacturing industry, and high-end hospitality services and other ecology services for customers from the enterprise headquarters. The amount contracted for customized services was RMB260 million during the Reporting Period, representing a year-to-year increase of over 100%.

4. Historical Acquisition Integration

Growth through historical acquisitions has been one of the major modes of industry development in the last few years. The Company has been prudent in historical acquisitions, taking post-investment integration and achieving strategic objectives as the preconditions for the implementation of historical acquisitions. At present, the Company has set up a systematic post-investment management system to create value for the steady operation of the Company continuously.

Since 2019, after the Company completed the merger and integration of Cushman & Wakefield's property and facility management services business in the Greater China region and established the commercial office premises service brand "Cushman & Wakefield Vanke Service", the compound growth rate of property and facilities management service revenue has reached 43.2%, maintaining a rapid growth.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Company acquired Fujian Bon Property Group Co., Ltd. ("**Bon Property**") and Shanghai Yango Intelligent Life Service Group Co., Ltd. ("**Yango Intelligent**"), and then began the work of integration. In 2022, the functional integration of the two companies has achieved an efficiency increase of more than RMB30 million and achieved an effective improvement in management efficiency. The entire integration process achieved "zero loss" of core backbone talents. All the residential property projects subordinate to Yango Intelligent have been integrated with Vanke Service projects in the management system within the year. In addition to completing the smooth transition of brand integration, the Company actively explores the integration of advantages of acquired companies to achieve the effect of "1+1>2". For example, the Company appoints the former general manager of Bon Property as the person in charge of the Fuzhou municipal representative office of Onewo, and establishes a market partner mechanism to fully absorb and give play to the marketing ability advantages of the original team of Bon Property in Fujian Province. The Company learns and optimizes the management and operation ability of Bon Property in the low-to-medium fee market, explores to provide services for low-cost properties in high-level cities, and enables more users to experience the beauty of property management services. At the same time, it integrates the medical management property sector of Bon Property and Yango Intelligent to promote the overall efficiency improvement of the sector with professional operation.

BUSINESS REVIEW

The Group is divided into three business segments: (i) community space living consumption services; (ii) commercial and urban space integrated services; and (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				Growth rate
	2022		2021		
	RMB'000	**%**	RMB'000	%	%
Community space living consumption services					
– Residential property services	**14,810,695**	**49.2**	11,362,630	47.9	30.3
– Home-related asset services	**1,351,341**	**4.5**	1,255,539	5.3	7.6
– Other community value-added services	**421,155**	**1.4**	542,856	2.3	(22.4)
Subtotal	**16,583,191**	**55.1**	13,161,025	55.5	26.0
Commercial and urban space integrated services					
– Property and facility management services	**7,544,896**	**25.1**	5,288,069	22.4	42.7
– Value-added services for developers	**2,935,057**	**9.7**	3,065,277	12.9	(4.2)
– Urban space integrated services	**664,256**	**2.2**	339,782	1.4	95.5
Subtotal	**11,144,209**	**37.0**	8,693,128	36.7	28.2
AIoT and BPaaS solution services					
– AIoT solutions	**1,384,920**	**4.6**	1,216,352	5.1	13.9
– BPaaS solutions	**993,483**	**3.3**	634,034	2.7	56.7
Subtotal	**2,378,403**	**7.9**	1,850,386	7.8	28.5
Total	**30,105,803**	**100.0**	23,704,539	100.0	27.0

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			
	2022		2021	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Community space living consumption services				
– Residential property services	1,458,881	9.9	1,265,378	11.1
– Home-related asset services	372,390	27.6	380,736	30.3
– Other community value-added services	268,007	63.6	438,384	80.8
Subtotal	2,099,278	12.7	2,084,498	15.8
Commercial and urban space integrated services				
– Property and facility management services	917,156	12.2	725,527	13.7
– Value-added services for developers	408,572	13.9	597,792	19.5
– Urban space integrated services	54,424	8.2	59,196	17.4
Subtotal	1,380,152	12.4	1,382,515	15.9
AIoT and BPaaS solution services				
– AIoT solutions	424,706	30.7	300,718	24.7
– BPaaS solutions	326,614	32.9	252,281	39.8
Subtotal	751,320	31.6	552,999	29.9
Total	4,230,750	14.1	4,020,012	17.0

During the Reporting Period, the Group has been affected to some extent in the business related to developers, but has achieved quality growth in the recurring business[Note 2] and technology business, and the implementation of the Onewo Town strategy has achieved remarkable results effectiveness.

Note 2 Recurring business refers to the residential property management services under the Group's community space living consumption service, the property and facility management business under the commercial and urban space integrated services, and the BPaaS solutions business under the AIoT and BPaaS solution services

Scale Growth and Stable Operation of Recurring Business

The Group's residential property services in community space, property and facility management business in commercial space, and BPaaS solution business in the technology sector, among others, are recurring businesses, which have always won recognition of customers with high service quality, with a relatively high renewal rate. During the Reporting Period, the Company's "recurring" service revenue achieved significant growth, reaching RMB23,349.1 million, representing a year-to-year increase of 35.1%, accounting for 77.6% of the total revenue, resulting in a gross profit of RMB2,702.7 million. Adjusted gross profit was RMB3,229.3 million, representing a year-to-year increase of 36.0%, indicating that profitability has improved.

– Residential property services

During the Reporting Period, the Group's revenue from residential property services was RMB14,810.7 million, representing an increase of 30.3% as compared to the same period of last year, accounting for 49.2% of total revenue. During the Reporting Period, such business brought gross profit of RMB1,458.9 million, representing an increase of 15.3% as compared to the same period of last year. As such business has won the recognition of customers by its stable, reliable, and high-quality service, it has supported the Group to achieve a long-term leading collection rate, and the balance of property fees received in advance was RMB3,976.7 million, achieving an advance receipts and receivable ratio (the ratio of receipts in advance to accounts receivable) of 4.1 times. As of December 31, 2022, the saturated income of residential property service projects under management was RMB22,799.7 million, representing a year-to-year increase of 27.7%; the number of residential projects under management was 3,446, representing a year-to-year increase of 623. The growth of results is mainly due to the Company's outstanding market expansion ability, especially its deep cultivation ability in the existing market.

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

	For the year ended December 31	
	2022	2021
Saturated income from contracts (RMB million)	**28,659**	23,881
Number of contracted projects	**4,358**	3,885
Saturated income from projects under management (RMB million)	**22,800**	17,853
Number of projects under management	**3,446**	2,823

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

	For the year ended December 31					
	2022			2021		
	Saturated income from projects under management (RMB million)	Number of projects	Income (RMB million)	Saturated income from projects under management (RMB million)	Number of projects	Income (RMB million)
China Vanke Group and its joint ventures or associates	**11,550**	**1,410**	**8,050**	9,618	1,218	6,932
Third parties	**11,250**	**2,036**	**6,761**	8,235	1,605	4,431
Total	**22,800**	**3,446**	**14,811**	17,853	2,823	11,363

– Property and facility management services

During the Reporting Period, the Group's revenue from property and facility management services was RMB7,544.9 million, representing an increase of 42.7% as compared to the same period of last year, accounting for 25.1% of the total revenue. During the Reporting Period, the business generated a gross profit of RMB917.2 million, increased by 26.4% as compared to the same period of last year. For the year ended December 31, 2022, the saturated income of property and facility management service projects under management was RMB11,057.8 million, representing a year-to-year increase of 35.5%; the number of property and facility management projects under management was 1,829, representing an increase of 264 as compared to last year, among which 747 were commercial property management service projects (PM), representing an increase of 92 as compared to last year, and the saturated income was RMB5,648.5 million, representing a year-to-year increase of 27.6%; the number of comprehensive facility management services projects (FM) was 1,082, representing an increase of 172 as compared to last year, and the saturated income was RMB5,409.3 million, representing a year-to-year increase of 45.0%. The growth in performance was mainly due to the Company's deep cultivation in customer diversification, as well as its strong competitive advantages in high-net-worth projects such as super high-rise and super-large intricate complexes. Although the overall environment and economic cycle have affected the payment arrangements of a small portion of customers, the Group's turnover days of accounts receivable for property and facility management service was 55 days during the Reporting Period by its enhanced account management.

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

	For the year ended December 31	
	2022	2021
Saturated income from contracts (RMB million)	**13,439**	9,647
Number of contracted projects	**2,133**	1,664
Saturated income from projects under management (RMB million)	**11,058**	8,158
Number of projects under management	**1,829**	1,565

The following table sets forth the number of the commercial office properties under management and contracts, saturated income from properties under management by property developers as at the dates indicated, as well as breakdown of income from property management services during the periods indicated:

	For the year ended December 31					
	2022			2021		
	Saturated income from projects under management (RMB million)	**Number of projects**	**Income (RMB million)**	Saturated income from projects under management (RMB million)	Number of projects	Income (RMB million)
China Vanke Group and its joint ventures or associates	**1,912**	**295**	**1,144**	1,475	249	891
Third parties	**9,146**	**1,534**	**6,401**	6,683	1,316	4,397
Total	**11,058**	**1,829**	**7,545**	8,158	1,565	5,288

– BPaaS solutions

During the Reporting Period, the Group's revenue from BPaaS solutions was RMB993.5 million, representing an increase of 56.7% as compared to the same period of last year, accounting for 3.3% of the total revenue. During the Reporting Period, the gross profit of the business was RMB326.6 million. The rapid growth of the business performance is due to the Company's vigorous promotion of enterprise BPaaS services, adding more than ten Fortune Global 500, Fortune China 500 and unicorn clients; on the other hand, space BPaaS service have been implemented in 38 city-as-a-property projects.

– AIoT solutions

The technology business of the Group performed outstandingly. In addition to the BPaaS solution for recurring business, the AIoT solution has also accumulated capabilities and achieved an increase in gross profit margin. During the Reporting Period, the Group's revenue from AIoT solutions was RMB1,384.9 million, representing an increase of 13.9% as compared to the same period of last year, accounting for 4.6% of the total revenue. During the Reporting Period, the business generated a gross profit of RMB424.7 million, achieving a gross margin of 30.7%, representing a year-to-year increase in gross margin by 6.0 percent. The growth of the performance and profitability of the business mainly benefited from the Company's market development through various channels, the success in packaging and sales of more products and solutions, and the vigorous expansion of corporate and government customers with strong payment capabilities.

During the Reporting Period, the Group was also affected by external objective factors, causes certain short-term impact on the performance. Among the affected businesses, except for the residence-related asset service business, it is expected that the ratio of the other businesses to the Group's total revenue will continue to decrease.

– Value-added services for developers

During the Reporting Period, the Group's revenue from value-added services for developers was RMB2,935.1 million, representing a decrease of 4.2% as compared to the same period of last year, accounting for 9.7% of the total revenue; gross profit was RMB408.6 million, representing a year-to-year decrease of 31.7%. Due to the low prosperity of the developer industry, the delivery number of real estate projects declined, which led to a sharp decline in the revenue from the sales center business and initial involvement business. The Group's future strategy does not focus on the value-added businesses for developers as the main development direction. At the same time, in order to reduce the uncertainty arising from the impact of the developer's industry cycle on the business, the Group adheres to the customer diversification strategy, providing services to more customers and meet more needs of customers, and ensuring the stable development of the Group's overall business.

– Other community value-added services

During the Reporting Period, the Group's revenue from other community value-added services was RMB421.2 million, representing a decrease of 22.4% as compared to the same period of last year, accounting for 1.4% of the total revenue. The main reason for the impact on results was the significant decline in carpark space sales services related to home sales. Such business is not the main business of the Company. In the future, the ratio of the revenue contributed by such business to the total revenue is expected to become smaller, and will therefore have a lower impact on the Group.

– Urban space integrated services

During the Reporting Period, the Group's revenue from urban space integrated services was RMB664.3 million, representing an increase of 95.5% as compared to the same period of last year, accounting for 2.2% of the total revenue. The urban space integrated services generated a gross profit of RMB54.4 million, representing a decrease of 8.1% as compared to the same period of last year, and gross profit margin decreased by 9.2 percent as compared to last year. The main reason for the impact on profit performance was the fluctuation of demand from customers in various regions. For the year ended December 31, 2022, the Group has implemented 84 urban space integrated services projects in 36 cities across the country. In terms of urban space integrated services, about 30% of the contracts of the Group are undertaken by shareholding or direct engagement, and 70% of the contracts are implemented in the form of minority shareholding management. After nearly three years of performance comparison, in the future, the Group will be more inclined to operate with a minority shareholding management and implement the smart city BPaaS business model.

The following table sets forth the number of urban services projects by region as at December 31, 2022:

Region	**Number of projects**
South China	50
East China	18
North China	9
Central China	3
Southwest China	3
Northwest China	1
Total	84

– Home-related asset services

During the Reporting Period, the Group's revenue generated from home-related asset services was RMB1,351.3 million, representing an increase of 7.6% as compared to the same period of last year, accounting for 4.5% of the total revenue; the gross profit was RMB372.4 million, achieving a stable gross profit margin of 27.6%. As a business related to the Company's Onewo Town strategy, although it has been greatly affected by objective factors such as "inability to enter homes (無法入戶)" in 2022, the Company will still increase its investment in talent pool and platform construction for this business segment, believing that "Onewo Town + Home Renovation and Furnishing" business model will be recognized by customers and positively verified by the market with high customer satisfaction, good value for money and efficient after-sales service.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

- ### Accelerating Expansion of Onewo Towns to Change the Industry Model

Onewo Town is an upgrade of the Group in the property management service provider model of China. It is a model for connecting operation of multiple projects by building the self-invested infrastructure, which changes the perspective and dimension of traditional operation of residential properties.

The Group will continue to deepen its density in 3,402 sub-districts by leveraging its capabilities in transparent properties, quality services and smart communities, and actively develop high-quality projects in the existing market, creating a foundation for the further advancement of the Onewo Town strategy.

In Onewo Towns, the Group will continue to transform the devices and facilities of the projects in Onewo Towns to realize smart IoT, and carry out work order-driven process changes to greatly improve service efficiency.

In 2022, the Group has realized the pilot scheme of 38 Onewo Towns, initially verifying the feasibility of the strategy. In 2025, the Group is expected to complete the construction of 300 Onewo Towns, which will bring about qualitative changes in the property management services industry of China.

- ### Deepen the Service Capacity of Enterprises and Build an Ecosystem Moat

The Group will focus on the needs of corporate customers other than their main businesses to build the service capacity of market segments, including building property management, work environment management, energy management, etc. In the future, the Group plans to strategically invest in the enterprise services market, including but not limited to administrative service and precision equipment maintenance, etc. Through the creation of an upstream and downstream ecosystem, the Group will consolidate its moat in the field of enterprise services.

- ### Implementing of Scientific and Technological Capabilities to Reshape Space Efficiency

The Group is transforming from a traditional labor-intensive enterprise to a technology-based and knowledge-based enterprise. In the future, the Group will continue to invest in research and development to redefine the new track of space technology, complete the packaging and iteration of more business solutions, realize landing on multiple new tracks, and finally realize technology-driven business and change the efficiency of space services.

- **Strengthen Human Resources and Give Full Play to Organizational Dividend**

  The Group plans to attract talents with market competitive remuneration, corporate culture of "Service (做服務者)", "Positivity (陽光健康)" and "Champion (永爭第一)" and company reputation, and organize regular training by outstanding employees and quality external consultants to strengthen the professional pride, service ability and professionalism of employees. At the same time, the Group will continue to strengthen the employee incentive mechanism, so that the interests of core employees and the Company align. On this basis, the Group will use the proceeds to further bring in scientific and technological talents, algorithmic talents and intelligent Internet talents to build the talent cornerstone of industrial Internet for the Company.

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2022, the Group's total revenue was RMB30,105.8 million, representing an increase of 27.0% as compared to RMB23,704.5 million in 2021. The increase in revenue was mainly due to the increase in area under management of the Group and the increase in business contracts. Including:

- **Community space living consumption services**

  For the year ended December 31, 2022, the Group's revenue generated from community space living consumption services was RMB16,583.2 million, representing an increase of 26.0% as compared to RMB13,161.0 million in 2021, primarily due to the increase of properties we manage and clients we serve.

- **Commercial and urban space integrated services**

  For the year ended December 31, 2022, the Group's revenue generated from commercial and urban space integrated services was RMB11,144.2 million, representing an increase of 28.2% as compared to RMB8,693.1 million in 2021, primarily due to the increase in the number of projects we manage and the increasing of diversified customers we attract.

- **AIoT and BPaaS solution services**

  For the year ended December 31, 2022, the Group's revenue generated from AIoT and BPaaS solution services was RMB2,378.4 million, representing an increase of 28.5% as compared to RMB1,850.4 million in 2021, primarily due to the increasing of revenue from AIoT solution services in smart parks. Besides, we developed new customers from more industries such as commercial services and information technology services, which increase the revenue generated from BPaaS solution services.

Cost of Sales

The Group's cost of sales mainly includes operating costs, depreciation and amortization. Operating cost include (i) subcontracting costs; (ii) staff costs; (iii) common area facility costs; (iv) engineering costs; (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, 2022, the total cost of the Group was RMB25,875.1 million, representing an increase of 31.4% as compared to RMB19,684.5 million in 2021. The increase in costs was mainly comprised of an increase in operating costs resulting from the business expansion of the Group, an increase in amortization of customer relationship resulting from historical acquisitions and an increase in cost resulting from the impact of external objective factors.

Gross Profit and Gross Profit Margin

For the year ended December 31, 2022, the Group's gross profit was RMB4,230.8 million, representing an increase of 5.2% as compared to RMB4,020.0 million in 2021. For the year ended December 31, 2022, the Group's gross profit margin was 14.1%, representing a decrease of 2.9 percent as compared to 17.0% in 2021. For the year ended December 31, 2022, the adjusted gross profit margin[Note 3] was 15.9%, representing a decrease of 1.8 percent as compared to the adjusted gross profit margin in 2021, mainly because the gross profit margin of home-related asset services and value-added services for developers declined as affected by external objective factors and the economic environment.

• Community space living consumption services

For the year ended December 31, 2022, the adjusted gross profit margin of the Group's community space living consumption services was 14.3%, of which the adjusted gross profit margin of residential property services was 11.6%, same as last year. Due to the impact of external objective factors and economic environment, the gross profit margin of home-related asset services and other community value-added services decreased.

• Commercial and urban space integrated services

For the year ended December 31, 2022, the adjusted gross profit margin of the Group's commercial and urban space integrated services was 14.9%, of which the adjusted gross profit margin of property and facility management services was 15.5%, representing an increase of 0.3 percent as compared to last year. The adjusted gross profit margin of value-added services for developers was 15.0%, representing a decrease of 6.2 percent as compared to last year. The adjusted gross profit margin of urban space integrated services was 8.6%. Compared to the urban space integrated services provided and the smart city BPaaS implemented by our joint ventures through minority shareholding management, services provided through direct engagement model has a lower gross profit margin.

Note 3 Adjusted gross profit margin represents to the gross margin calculated after excluding the amortization of intangible assets – customer relationship resulting from the historical acquisition

- **AIoT and BPaaS solution services**

  For the year ended December 31, 2022, the gross profit margin of the Group's AIoT and BPaaS solution services was 31.6%, representing an increase of 1.7 percent as compared to last year, mainly due to the Group's continued efforts to optimize the diversified services of our AIoT and BPaaS solutions. The gross profit margin of AIoT solution services was 30.7%, while the gross profit margin of BPaaS solution services was 32.9%.

Other Income and Gains

The Group's other income and gains increased by 44.7% from RMB394.4 million in the year ending December 31, 2021 to RMB570.6 million in the same period in 2022. The increase was mainly resulted from the gain on remeasurement of the previously held interest in an associate.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 75.1% from RMB257.2 million in 2021 to RMB450.3 million in the same period in 2022. The increase was mainly due to the increase of marketing expenses incurred to maintain revenue growth against the backdrop of unfavorable market conditions, and entrance of new cities and new industries.

Administrative Expenses

The Group's administrative expenses increased by 20.2% from RMB1,791.8 million in 2021 to RMB2,153.5 million in the same period in 2022, mainly due to the increase in staff costs as a result of business expansion as well as the increased investment in research & development expenses, while the percentage of administrative expenses to total revenue decreased by 0.4 percent to 7.2% in 2022 as a result of the integration of historical acquisitions and the improvement in management efficiency.

Income Tax Expenses

The Group's income tax expenses decreased by 28.2% from RMB605.7 million in 2021 to RMB434.7 million in the same period in 2022, mainly because the gain on remeasurement of the previously held interest in an associate is not subject to tax in accordance with PRC tax laws, and some entities are entitled to preferential tax policies, the effective tax rate was close to the statutory rate after excluding the effect of such one-time items.

Profit for the Year

The Group's profit for the year decreased by 7.5% from RMB1,714.3 million in 2021 to RMB1,586.1 million in 2022. The Group's EBITDA increased by 7.6% from RMB2,640.3 million in 2021 to RMB2,840.6 million in 2022. The Group's core net profit[Note 4] increased by 8.1% from RMB1,887.7 million in the year ended December 31, 2021 to RMB2,041.0 million in the same period in 2022.

Note 4 Core net profits represents to the net profit calculated after excluding the amortization of intangible assets – customer relationship resulting from the historical acquisition and the effect of related deferred taxes

Non-IFRS Measures

The following table sets forth a reconciliation of the Group's EBITDA and the statements prepared in accordance with IFRS for the periods indicated:

	2022 RMB million	2021 RMB million
PROFIT BEFORE TAX	**2,021**	2,320
Finance costs	**11**	10
Interest income	**(46)**	(85)
Depreciation and amortization	**855**	395
EBITDA	**2,841**	2,640

To supplement the Group's IFRS consolidated financial statements, the Group also use non-IFRS EBITDA, as an additional financial indicator. The Group believes such non-IFRS financial measure can eliminate the potential financial impact of events that have little relevance to ordinary course of business and cannot accurately and completely reflect operating performance, including the amortization of customer relationships arising from acquisitions. The use of this measure is helpful in comparing the operating performance of each period. The Group believes that the measure provides useful information to investors and others, in order to understand and evaluate the Group's results of business performance. The definition of this non-IFRS measure may differ from similar terms used by other companies.

Intangible Assets

The Group's intangible assets mainly include customer relationships and goodwill acquired in historical acquisitions. The Group's intangible assets increased from RMB8,244.1 million as of December 31, 2021 to RMB8,507.0 million as of December 31, 2022, mainly due to the customer relationship recognized by the historical acquisition of companies during the Period of RMB831.9 million, while the amortization of customer relationships brought by historical acquisitions increased from RMB193.0 million in the year ended December 31, 2021 to RMB567.5 million in 2022 because of the historical acquisitions of Yango Intelligent and Bon Property.

Liquidity and Financial Resource

Cash position

As of December 31, 2022, the Group had cash and cash equivalents of RMB13,345.1 million, which primarily represent the proceeds from the Global Offering and net operating cash flow during the year. As of December 31, 2021, the cash and cash equivalents amounted to RMB6,430.6 million.

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, 2022, 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 and multiplied by 100%. Accordingly, net gearing ratio is not applicable to the Group as of December 31, 2022.

Contingent Liabilities

As of December 31, 2022, the Group had no material contingent liabilities.

Pledge of Asset

As of December 31, 2022, the Group had no pledge of assets.

Foreign currency risk

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

As of December 31, 2022, non-RMB assets are cash and cash equivalents, including HKD-denominated assets (worth RMB133.5 million) and USD-denominated assets (worth RMB5.4 million), mainly from the proceeds from the Global Offering. As of December 31, 2022, 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. The Group will continue to monitor its foreign exchange risk and take prudent measures to mitigate the potential risk of exchange rate fluctuations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhu Baoquan (朱保全), aged 48, has been serving as the general manager of our Company since May 2010 and a director, the chairman and the general manager of our Company since February 2011 and was re-designated as our executive Director on March 2, 2022.

Mr. Zhu has extensive experience in real estate and property management industry and is committed to the digital transformation of the industry. He has over 10 years of large enterprise management experience. Mr. Zhu successively served in various positions in China Vanke since April 1999, including a human resource department manager of Beijing Vanke Co., Ltd., a customer service center manager, the general manager assistant in Chengdu Vanke Real Estate Co., Ltd., the deputy director and director of the general office of China Vanke Group, an administration director of China Vanke Group, the general manager in Nanjing Vanke Real Estate Co., Ltd., a vice president and a senior vice president of China Vanke Group.

Mr. Zhu graduated from East China University of Technology (華東工業大學) (now known as University of Shanghai for Science and Technology (上海理工大學)) in the PRC in July 1994 and obtained his bachelor's degree in Systems Engineering. He graduated from China Europe International Business School (中歐國際工商學院) in the PRC with his master's degree in Business Administration in October 2013. Mr. Zhu obtained his doctorate degree in Business Administration jointly offered by Guanghua School of Management, Peking University (北京大學光華管理學院) and Faculty of Business and Economics, The University of Hong Kong (香港大學經管學院) in November 2022.

Mr. He Shuhua (何曙華), aged 48, has been serving as a director of our Company since January 2016 and was re-designated as our executive Director on March 2, 2022. He also serves as the chief marketing officer and the chief partner of government and enterprise clients service center (政府及企業客戶服務中心) of the Company and is in charge of our urban space integrated services.

Mr. He has over 20 years of extensive experience in property management industry. After joining our Company in April 1998, Mr. He consecutively served in multiple positions within our Company, including a property project management manager of Shenzhen Vanke Service Co., Ltd., the executive deputy general manager of Beijing Vanke Service Co., Ltd., the general manager of Wuhan region, the general manager of Guangzhou region and the chief executive officer of enterprise service division of Vanke Service.

Mr. He also served as a manager of Property Management Department in China Vanke from April 2003 to April 2006, a director of customer in Zhongshan Vanke Real Estate Co., Ltd. and Zhuhai Vanke Real Estate Co., Ltd. from March 2007 to December 2008 and was primarily responsible for client relationship management.

Mr. He obtained his college degree in Real Estate Operation and Management from Nanchang University (南昌大學) in the PRC in July 1995 and his master's degree in Project Management from Wuhan University (武漢大學) in the PRC in June 2013. He has been studying at China Europe International Business School in the PRC since April 2021. Mr. He obtained a Property Manager Professional Qualification (物業管理師) issued by Professional Title Reform Leading Group of Hubei Province (湖北省職稱改革工作領導小組) in September 2011.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Wang Wenjin (王文金), aged 56, is a non-executive Director of our Company. Mr. Wang has been a director of our Company since February 2017 and was re-designated as our non-executive Director on March 2, 2022. Mr. Wang provides guidance for the operations of the Company from various aspects.

After joining China Vanke in November 1993, Mr. Wang successively served as a general manager of the finance department, the finance controller, the chief financial officer, the chief risk officer, an executive vice president and executive director. He also served as a non-executive director of Vanke Overseas Investment Holding Company Limited (formerly known as Vanke Property (Overseas) Limited, a company listed on the Hong Kong Stock Exchange; stock code: 1036) from July 2012 to March 2015. Mr. Wang serves in various directorships and management positions in several subsidiaries of China Vanke currently, including the chairperson and the general manager of Shenzhen Yingda Investment Fund Management Co., Ltd. (深圳市盈達投資基金管理有限公司), a subsidiary of China Vanke. Mr. Wang has been a non-executive director of Huishang Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange, stock code: 3698) since December 2018. In addition, he currently serves as a supervisor of China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司).

Mr. Wang graduated from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC with a master's degree in June 1994 and he is a certified public accountant (non-practicing member) in the PRC granted by the Chinese Institute of Certified Public Accountants in August 1998.

Mr. Zhang Xu (張旭), aged 59, is a non-executive Director of our Company. Mr. Zhang has been a director of our Company since January 2016 and was re-designated as our non-executive Director on March 2, 2022. Mr. Zhang is primarily responsible for the provision of guidance for the overall development of the Company.

After joining China Vanke in November 2002, Mr. Zhang successively served as an executive deputy general manager and the general manager of Wuhan Vanke Real Estate Co., Ltd. (武漢市萬科房地產有限公司), primarily responsible for development and operation of real estate projects; and a vice president of China Vanke, primarily responsible for strategy, investment, marketing, operation and management of overseas business. He served as an executive director of China Vanke from June 2017 to June 2020. He was also appointed as an executive director of Vanke Overseas Investment Holding Company Limited (萬科海外投資控股有限公司) in July 2012 and the chairman in February 2019, and resigned as the chairman and an executive director in November 2021.

Mr. Zhang serves as the chairperson and general manager of Vanke Logistics Development Co., Ltd. currently, and is primarily responsible for overall business development planning. He served as a non-executive and non-independent director of Banyan Tree Holdings Limited (a company listed on the Singapore Stock Exchange, stock code: B58.SG) from September 2017 to November 2020. He has also been a director of GLP Holdings Limited since January 2018 and a director of CMC Inc. (華人文化有限責任公司) since December 2017.

Mr. Zhang graduated from Hefei Industrial University (合肥工業大學) in the PRC with a bachelor's degree in Industrial and Civil Architecture in August 1984 and obtained a master's degree in Business Administration from Troy State University (currently known as Troy University) in the United States in June 2001.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Sun Jia (孫嘉), aged 45, is a non-executive Director of our Company. Mr. Sun has been a director of our Company since January 2018 and was re-designated as our non-executive Director on March 2, 2022. Mr. Sun is primarily responsible for the provision of guidance for the overall development of the Company.

After joining China Vanke in July 2007, Mr. Sun consecutively served as a deputy general manager and the general manager of China Vanke's strategy and investment management department from July 2007 to January 2010, and he was appointed as the general manager of Xi'an Vanke Co., Ltd. in 2010. He served as the general manager of Shanghai Vanke Co., Ltd. from January 2012 to March 2016 and was appointed as a vice president of China Vanke in 2015. He was appointed as an executive vice president, the head of finance and the chief financial officer of China Vanke in March 2016. Mr. Sun currently serves as the chairperson of Shenzhen Vanke Development Co., Ltd, the chief executive officer and the chief partner of the Southern regional business group of China Vanke. He also has been serving as the chairman and an executive director of Vanke Overseas Investment Holding Company Limited since November 2021, responsible for overall operation, strategy and development planning.

Mr. Sun graduated from the School of Economics, Peking University (北京大學) in the PRC with a bachelor's degree in July 2001. In June 2007, he graduated from Harvard Business School in the United States with a master's degree in Business Administration.

Mr. Zhou Qi (周奇), aged 42, is a non-executive Director of our Company. Mr. Zhou has been a director of our Company since February 2017 and was re-designated as our non-executive Director on March 2, 2022. Mr. Zhou is primarily responsible for the provision of guidance for the overall development of the Company.

Mr. Zhou joined Boyu Capital (博裕投資) in March 2011 and currently is a partner of Boyu Capital, and he has been a director of the board of Sichuan Langjiu Group Co., Ltd. (四川郎酒股份有限公司) since April 2017. He was appointed as a director of COFCO Joycome Foods Limited (a company listed on the Hong Kong Stock Exchange; stock code: 1610) in May 2014 and was designated as a non-executive director in May 2016, and resigned in July 2021. Mr. Zhou also was a director of the board of Shenzhen Yuying Property Service Co., Ltd. (深圳市譽鷹物業服務有限公司) from June 2017 to September 2021.

Before joining Boyu Capital, Mr. Zhou consecutively served as an analyst and associate at Goldman Sachs (Asia) L.L.C. in Hong Kong and one of its affiliates in Beijing from July 2005 to April 2011.

Mr. Zhou graduated from School of Economics and Management, Tsinghua University (清華大學) in the PRC with a bachelor's degree in July 2003, a master's degree in July 2005 and earned his Executive Master of Business Administrative degree from Tsinghua University in January 2022.

Mr. Yao Jinbo (姚勁波), aged 46, is a non-executive Director of our Company. Mr. Yao has been a director of our Company since February 2017 and was re-designated as our non-executive Director on March 2, 2022. Mr. Yao is primarily responsible for the provision of guidance for the overall development of the Company.

Mr. Yao was a co-founder of Beijing XueDa Education Consulting Co., Ltd. ("XueDa", 學大教育科技(北京)有限公司) and worked at XueDa from September 2001 to November 2005. Mr. Yao founded Beijing 58 Information Technology Co., Ltd. (北京五八信息技術有限公司) in December 2005 and has been its chief executive officer. Mr. Yao is the founder, chairman and chief executive officer of 58.com Inc. (a company previously listed on the NYSE and delisted on September 18, 2020). He is also an independent director of Cheetah Mobile Inc. (a company listed on the NYSE; stock code: CMCM) since December 2017 and an independent director of Noah Holdings Limited (a company listed on the NYSE; stock code: NOAH) since November 2014.

Mr. Yao graduated from Ocean University of China (中國海洋大學) with a bachelor's degree in Computer Science and Marine Chemistry in July 1999.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Ms. Law Elizabeth, *MH, JP* **(羅君美)**, aged 68, was appointed as an independent non-executive Director of our Company with effect from September 29, 2022. She is primarily responsible for providing independent advice on the operations and management of our Company.

Ms. Law was employed as an auditor at Richter Usher & Vineberg, an accounting firm, in Montreal, Canada from September 1976 to May 1982. Ms. Law is a council member of the Society of Chinese Accountants and Auditors and served as its president in 1993. Ms. Law has been the director of Law & Partners CPA Limited since 2004, a partner of Stephen Law & Company, Certified Public Accountants since 1984.

Ms. Law also serves as an independent non-executive director in the following listed companies:

Period of service	Name of Company	Listing venue and stock code	Principal business
Since April 2023	Starlite Holdings Limited (星光集團有限公司)	Hong Kong Stock Exchange (stock code: 403)	Investment holding company, of which subsidiaries are principally engaged in printing and manufacturing packaging materials, labels and paper products, including environmental protection paper products
Since August 2017	The Wharf (Holdings) Limited (九龍倉集團有限公司)	Hong Kong Stock Exchange (stock code: 0004)	Investment properties, hotels and development properties in Hong Kong and mainland China
Since October 2016	Clifford Modern Living Holdings Limited (祈福生活服務控股有限公司)	Hong Kong Stock Exchange (stock code: 3686)	Provision of property management services, renovation and fitting-out services, retail services, off-campus training services and information technology services
Since November 2011	Sunwah Kingsway Capital Holdings Limited (新華匯富金融控股有限公司)	Hong Kong Stock Exchange (stock code: 0188)	Investment holding company principally engaged in financial businesses

Ms. Law obtained her bachelor's degree in Commerce (majored in Accounting) from McGill University in Canada in May 1976, and completed her diploma of Accountancy in McGill University in May 1978. She became a chartered accountant in Canada in June 1979, an associate of the Hong Kong Institute of Certified Public Accountants in May 1982. Ms. Law has been admitted as a member of The Institute of Chartered Accountants in England and Wales since February 2006, and was admitted as a fellow of The Institute of Chartered Accountants in England and Wales in August 2019 and a fellow certified public accountant in Australia in November 2009. She has been a fellow of the Hong Kong Institute of Certified Public Accountants since December 1991, a fellow of The Taxation Institute of Hong Kong since April 2003, and a chartered professional accountant in Canada since November 2012. She also completed the independent director training session held by CSRC and Tsinghua University in May 2002.

Ms. Law was the founding president of the Association of Women Accountants (Hong Kong) Ltd. and has been appointed as the honorary founding president since June 2008. Ms. Law was a member of the Ninth, Tenth and Eleventh Chinese People's Political Consultative Conference Guangdong Committee (第九、十及十一屆中國人民政治協商會議廣東省委員會委員) and was awarded the Medal of Honour in Hong Kong in July 2006, the Justice of the Peace in Hong Kong in July 2009.

Mr. Chen Yuyu (陳玉宇), aged 52, was appointed as an independent non-executive Director of our Company with effect from September 29, 2022. He is primarily responsible for providing independent advice on the operations and management of our Company.

In September 2003, Mr. Chen joined the Department of Applied Economics, Guanghua School of Management, Peking University (北京大學光華管理學院應用經濟系) and has successively served as a lecturer, an associate professor, and a professor since then. Mr. Chen currently serves as the director of the Institute of Economic Policy at Peking University (北京大學經濟政策研究所).

Since June 2017, Mr. Chen has been appointed as an independent director of Guangdong Xinhui Meida Nylon Company Limited (廣東新會美達錦綸股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000782). Mr. Chen served as an independent director of Zhanjiang Guolian Aquatic Products Co., Ltd. (湛江國聯水產開發股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300094) from November 2019 to January 2021. He also served as an external director of Haode Technology Co., Ltd. (浩德科技股份有限公司) since February 2016 and an independent director of Meizhou Hakka Bank Co., Ltd. (梅州客商銀行股份有限公司) since August 2017.

Mr. Chen obtained his bachelor's degree in economics from Peking University (北京大學) in the PRC in July 1994. He then obtained his doctorate degree in economics from the Australian National University (澳大利亞國立大學) in Australia in September 2003.

Mr. Chen was granted The National Science Fund for Distinguished Young Scholars (國家傑出青年科學基金) in 2014, and he was recognized as the Fellow of Chang Jiang Scholars Program (長江學者特聘教授) in April 2017.

Mr. Shen Haipeng (沈海鵬), aged 46, was appointed as an independent non-executive Director of our Company with effect from September 29, 2022. He is primarily responsible for providing independent advice on the operations and management of our Company.

Mr. Shen has been serving as the associate dean of the Faculty of Business and Economics of the University of Hong Kong and oversees the university's Executive Education program (高層管理教育項目) since September 2017.

Mr. Shen was an assistant professor from July 2003 to June 2009, a tenured associate professor from July 2009 to June 2014, and a tenured professor from July 2014 to August 2015 at the Department of Statistics and Operations Research at the University of North Carolina at Chapel Hill, United States.

Since July 2018, Mr. Shen has been an independent director of Chow Tai Seng Jewellery Company Limited (周大生珠寶股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002867). Mr. Shen served as an independent non-executive director of IntelliCentrics Global Holdings Ltd. (中智全球控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 6819) from March 2019 to January 2020.

Mr. Shen obtained his bachelor's degree in Mathematics from Peking University (北京大學) in the PRC in July 1998. Mr. Shen then obtained his master's degree in Art and his doctorate degree in Philosophy from the Wharton School of the University of Pennsylvania, United States, in August 2000 and August 2003, respectively.

Mr. Shen was granted the Outstanding Teaching Award by The University of Hong Kong Business School and Guanghua School of Management of Peking University in December 2020.

Mr. Song Yunfeng (宋雲鋒), aged 53, was appointed as an independent non-executive Director of our Company with effect from September 29, 2022. He is primarily responsible for providing independent advices on the operations and management of our Company.

Mr. Song has been an attorney of Beijing Dentons Law Offices, LLP (北京大成律師事務所) since December 2004, and is a senior partner of the firm. He has also been an independent director of Beijing Hotgen Biotech Co., Ltd. (北京熱景生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688068) since July 2022. Prior to that, he was a civil servant from December 1995 to July 2004 at Foreign Affairs Office and the Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality (北京市人民政府外事辦公室及港澳事務辦公室) and was primarily responsible for administrative service. He served as a teacher at School of Literature, Capital Normal University (首都師範大學) from July 1993 to December 1995 and was responsible for education and administration affairs.

Mr. Song obtained his bachelor's degree in Chinese Literature from Capital Normal University in the PRC in July 1993, and his master's degree in Law from School of Law, Peking University in the PRC in June 2004. Mr. Song further completed the EMBA program in Guanghua School of Management, Peking University in January 2012. Mr. Song obtained his doctorate degree in Business Administration jointly offered by Guanghua School of Management, Peking University (北京大學光華管理學院) and HKU Business School (香港大學經管學院) in November 2022.

Mr. Song obtained his PRC Legal Professional Qualification Certificate issued by the PRC Ministry of Justice in 2004 and was qualified as an attorney by the Beijing Justice Bureau in 2005.

SUPERVISORS

Ms. Xiang Yun (向雲), aged 55, is the chairperson of our Supervisory Committee. Ms. Xiang has served as a Supervisor of our Company since January 2016, and has been serving as the general consultant of audit and internal control of our Company since March 2018. She is primarily responsible for supervising the audit and internal control of our Company.

After joining our Company in May 1994, Ms. Xiang served in various positions, including an office director in Shenzhen branch, a manager of quality management and an assistant general manager from May 1994 to September 2000. She successively served as a deputy general manager of property management department and the general manager of property services management department in China Vanke from October 2000 to January 2009, and served as an assistant general manager of our Company from February 2009 to February 2018.

Ms. Xiang graduated from Jianghan University (江漢大學) with a college degree in Business and Economics Management in the PRC in July 1988, and obtained her master's degree in Business Administration from Asia International Open University (Macau) (now known as City University of Macau) in Macau in May 2001.

Ms. Han Huihua (韓慧華), aged 40, is a shareholder representative supervisor. Ms. Han has served as a supervisor of our Company since January 2018. She is primarily responsible for supervising financial matters and the directors and senior management of our Company. Ms. Han is currently an executive vice president and the head of finance of China Vanke.

Ms. Han joined China Vanke in 2008, and successively held positions of a business manager, the assistant general manager and the deputy general manager of the finance and internal control department, and the partner of the financial management function in the management center of China Vanke.

Ms. Han obtained her bachelor's degree in Administration from University of Science and Technology of China (中國科學技術大學) in the PRC in July 2003, and her master's degree in Administration (majored in accounting) from Jiangxi University of Finance and Economics (江西財經大學) in January 2008. She obtained the Certified Public Accountant certificate granted by Certified Public Accountant Examination Board of Ministry of Finance of the PRC (中國財政部註冊會計師考試委員會) in January 2007.

Mr. Wu Jianxia (吳劍俠), aged 41, is an employee representative Supervisor. Mr. Wu has served as an employee representative Supervisor since February 2021. He has been the leader of Zhizhi Xueshe (知之學社) since January 2020, and is primarily responsible for supervising the talent development, training, corporate culture, staff relations, anti-corruption supervision and environmental, social and corporate governance ("ESG") affairs of our Company.

After joining our Company in July 2013, Mr. Wu served in various positions including as an assistant director of the planning and development department, the director of the planning and development department, the chief partner of the Zhuzher Workshop (住這兒工作室) and the general manager of the long-term rental service development center.

Prior to joining our Company, Mr. Wu served as a staff of group general office at China Vanke from July 2005 to December 2008.

Mr. Wu obtained his bachelor's degree in Marketing from Zhejiang University in the PRC in June 2005.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Zhu Baoquan (朱保全), aged 48. For his biography, please refer to the sub-section "－Directors" above.

Mr. He Shuhua (何曙華), aged 48. For his biography, please refer to the sub-section "－Directors" above.

Mr. Zou Ming (鄒明), aged 49, has been serving as the deputy general manager of our Company since January 2021, primarily responsible for the human resources management of the Company.

After joining our Company in February 2001, Mr. Zou consecutively served in multiple positions within our Company, including an executive of human resources of Shenzhen Vanke Service Co., Ltd., an assistant manager in human resources department, a deputy general manager of Shanghai Vanke Service Co., Ltd., the director of the planning and development department, a deputy general manager of Beijing Vanke Service Co., Ltd., the general manager of Tianjin Vanke Property Service Co., Ltd., the general manager of residential projects operation center Beijing region, the general manager of North China region and the head of human resource of our Company. In addition, Mr. Zou worked as a human resource manager in China Vanke from February 2004 to January 2009.

Mr. Zou obtained his bachelor's degree in Power Systems and Automation from Southeast University (東南大學) in the PRC in June 1996.

Mr. Yang Guanghui (楊光輝), aged 51, has been serving as the deputy general manager, the chief customer services officer of our Company since March 2021 and the chief partner of Vanke Service business unit ("BU") since January 2022. Mr. Yang is primarily responsible for operation and management of our Company's residential property service (Vanke Service).

Mr. Yang has over 20 years of experience in the property management industry. After joining our Company in April 1997, Mr. Yang consecutively served in multiple positions within our Company, including an environment executive, a quality executive, a quality manager, a business supervision manager, the general manager of Hangzhou Vanke Property Service Co., Ltd., the general manager of residential projects operation center Shanghai region, the general manager of Shanghai Vanke Service Co., Ltd., the chairman of Zhejiang Yaojiang Real Estate Management Co., Ltd. (浙江耀江物業管理有限公司), a leading partner of East China region and the chief customer services officer.

Mr. Yang obtained his bachelor's degree in Landscape Architecture from the Inner Mongolia Forestry College (內蒙古林學院) (now known as the Inner Mongolia Agricultural University (內蒙古農業大學)) in the PRC in July 1994. Mr. Yang obtained the Special Award for the Executive Officer of 2019 granted by our Company, the Industry Contribution Award granted by Shanghai Property Management Association in November 2019 and was elected as the vice president of the sixth Council of Shanghai Property Management Association in July 2020.

Mr. Li Qingping (李慶平), aged 44, has been Chief Investment Officer of our Company since January 2019 and Chairman of Cushman & Wakefield Vanke Service since January 2020. Mr. Li is primarily responsible for the Company's mergers and acquisitions, investment activities, post-investment management and operation, new business incubation related matters. He directly oversees investment and innovation development center of the Company, Xiangying Enterprise Service, Cushman & Wakefield Vanke Service, Yuying platform and Onewo growth capital. Mr. Li served as Chief Financial Officer of our company from September 2016 to January 2019.

Prior to joining our Company, Mr. Li served as a vice president of China Minsheng Trust Co., Ltd. (中國民生信託有限公司) from March 2013 to September 2016, where he had senior leadership responsibility successively for investment banking department and real estate investment department. He also served as a director and the general manager of Minsheng Capital Investment Management Co., Ltd. (民生資本投資管理有限公司) from February 2016 to June 2017. Previously, from April 2011 to March 2013, Mr. Li served as a vice president of CITICPE (中信產業基金), where he was primarily responsible for multi-strategy mezzanine investment. Earlier, starting from October 2004 to April 2011, Mr. Li served in various leadership positions, in China Foreign Economy and Trade Trust Co. Ltd. (中國對外經濟貿易信託有限公司), a subsidiary of Sinochem Group Co., Ltd., including the general manager of auditing & legal department, transaction department, and investment management department. He was later appointed as a general manager assistant, and began to have an executive oversight of real estate trust department and Shanghai headquarter.

Mr. Li obtained his Bachelor of Science degree from China Pharmaceutical University (中國藥科大學) in the PRC in July 2000, and Master of Economics in Finance from Peking University (北京大學) in the PRC in July 2006. He obtained his master's degree in Business and Administration from China Europe International Business School in October 2013. From November 2018 to November 2019, he was selected to study at Hillhouse Value Investing Institute (高禮價值投資研究院), and he has been studying at TencentX Industrial Academy (北大－青騰未來產業學堂) since June 2021. Mr. Li was awarded the Gold Robin Medal, our Company's top honor, in January 2020 and the 2019 Group Gold Award of China Vanke.

JOINT COMPANY SECRETARIES

Mr. Huang Min (黃旻), aged 33, was appointed as our joint company secretary of the Company on March 1, 2022. Mr. Huang joined our Company in June 2014 and serves as a partner of the planning and development department currently, and primarily responsible for strategy research, strategy operation management and investor relations related affairs.

Mr. Huang successively served as a financial management director, an investor relations director, a partner of strategy mergers and acquisitions and a partner of the planning and development department of our Company since joining in June 2014. In addition, Mr. Huang also serves in directorship of the companies in which our Company invested, a director of Shenzhen Wanyu Security Service Technology Co., Ltd. (深圳市萬御安防服務科技有限公司) since November 2019. Prior to joining our Company, from July 2012 to June 2014, Mr. Huang served in Huarun Power Wind Power (Shantou) Co., Ltd. (華潤電力風能(汕頭)有限公司).

Mr. Huang obtained his bachelor's degree in Financial Management from Xiamen University in the PRC in July 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Ng Wai Kam (伍偉琴), was appointed as our joint company secretary of the Company on March 1, 2022. Ms. Ng is a manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Ng has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Ng is currently the company secretary/joint company secretary of listed companies on the Stock Exchange, namely, Hebei Yichen Industrial Group Corporation Limited (河北翼辰實業集團股份有限公司; stock code: 1596), Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司; stock code: 2666) and Mega Genomics Limited (美因基因有限公司; stock code: 6667).

Ms. Ng is an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Ms. Ng obtained her bachelor's degree in Business Administration from Hong Kong Shue Yan University in July 2011.

*   For your identification

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors hereby presents to the Shareholders the report of the Board of Directors for the year ended December 31, 2022.

CORPORATE INFORMATION

The Company was incorporated in the PRC on February 20, 2001 and was converted into a joint stock limited company on March 20, 2018. The shares of the Company were listed on the Stock Exchange on September 29, 2022.

The basic information of the Company is set out on pages 17 to 18 in the "Corporate Information" of this report.

SHARE CAPITAL

As at the date of this annual report, the Company's issued Shares was 1,178,468,700 Shares. Details of the Company's share capital during the year ended December 31, 2022 are set out in note 31 to the consolidated financial statements.

PRINCIPAL BUSINESS AND OPERATIONS

The Company is a leading property management service provider in China that has effected improvements in the industry over the past three decades. 32 years ago, we kick-started our journey with the simple purpose of pursuing excellent property management services for more people – a purpose which still guides the way we do business in a highly competitive and fragmented sector today. Drawing on our brand strength and service quality, we have expanded our business beyond property management services and become a leading service provider with a growth model built upon the synergy of businesses across community, commercial and urban spaces, serving a diverse array of properties such as residential communities, workspaces and public premises, and a broad customer base covering property owners, corporate and other institutional clients. Leveraging R&D investments, we have developed AIoT and BPaaS solutions aiming to digitalize workflows, mobilize resources and improve efficiency of the spaces we serve. As our service offerings intertwine and further integrate with purpose-built technologies, we become well-prepared to achieve economies of scale and capture adjacent opportunities. In terms of geographic focus, we strive to provide quality services to customers in high-tier cities with strong economic fundamentals.

Details of the names, principal places of business, countries of incorporation and issued share capital of the Group's principal subsidiaries are set forth in note 1 to the consolidated financial statements. For the year ended December 31, 2022, there was no material change in the nature of the principal business of the Group. As at the date of this annual report, the Board of Directors had no intention to substantially change the principal business of the Group.

REPORT OF THE BOARD OF DIRECTORS

BUSINESS REVIEW

A review of the Group's businesses for the year and a discussion on their future development are set forth in the sections headed "Chairman's Statement" and "Management Discussion and Analysis". An analysis of the Group's performance for the year using key financial performance indicators is set forth in the section headed "Management Discussion and Analysis". The Group had no significant events taking place during the period from the financial year-end falling on December 31, 2022 to the date of this annual report.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended December 31, 2022 to the date of this annual report, the Group had not made any significant investments, 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.

USE OF NET PROCEEDS RAISED FROM IPO AND OVER-ALLOTMENT OPTION

The H Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing date by way of Global Offering. The net proceeds from the Global Offering received by the Company (after the full exercise of the Over-allotment Option in part) was approximately RMB5,617.2 million, after deduction of underwriting commissions 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. The following table sets forth a breakdown of the utilization and proposed utilization of the net proceeds as at December 31, 2022:

Items	Percentage of total amount (Approximate)	Net proceeds disclosed in the Prospectus (RMB million)	Amount utilized as of December 31, 2022 (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	63.0	1,903.0	By the end of 2027
Investing in the development of our AIoT and BPaaS solutions	25%	1,404.3	0.3	1,404.0	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	0.0	1,123.5	By the end of 2027
Attracting and nurturing talents	10%	561.7	1.9	559.8	By the end of 2027
For working capital and for general corporate purposes	10%	561.7	2.8	558.9	By the end of 2027
Total	100%	5,617.2	68.0	5,549.2	

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS AND SUPERVISORS

During the Reporting Period and as of the Latest Practicable Date, the list of Directors and supervisors is as follows:

Executive Directors

Mr. Zhu Baoquan *(Chairman of the Board)*
Mr. He Shuhua

Non-executive Directors

Mr. Wang Wenjin
Mr. Zhang Xu
Mr. Sun Jia
Mr. Zhou Qi
Mr. Yao Jinbo

Independent Non-executive Directors

Ms. Law Elizabeth
Mr. Chen Yuyu
Mr. Shen Haipeng
Mr. Song Yunfeng

Supervisors

Ms. Xiang Yun
Ms. Han Huihua
Mr. Wu Jianxia

Changes in Information of Directors and Supervisors

Biographical details of Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors and Senior Management" on pages 38 to 48 of this annual report. Since the Listing of our Company on September 29, 2022, save as disclosed in the section headed "Directors, Supervisors and Senior Management" of this annual report, there has been no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as of December 31, 2022.

Directors' and Supervisors' Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, the Company has entered into a service contract with each of Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has any service contract of Directors or Supervisors with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

Independence Confirmation Letter of Independent Non-executive Directors

The Company has received the independence confirmation letter from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all independent non-executive Directors and confirmed that all of them are independent pursuant to the Listing Rules.

Directors' Interests in Competing Businesses

As of December 31, 2022, save as disclosed below, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of our Group.

(a) Anjuke Group Inc. ("**Anjuke**"): Mr. Yao Jinbo, a non-executive director of the Company, is the executive director, chairperson, chief executive officer, and a controlling shareholder of Anjuke. Anjuke is an open online platform for real estate information and transaction services in China; and

(b) Siweideng Real Estate Consultant Group Co., Ltd. (斯維登置業顧問集團有限公司) ("**Siweideng**"): Mr. Yao Jinbo, a non-executive director of the Company, is a director of Siweideng. Siweideng is a global accommodation operator focusing on the provision of chain-owned homestay, apartments and villas (paragraphs (a) and (b) collectively, the "**Relevant Director Businesses**").

There is neither any substantial competition between our businesses and the Relevant Director Businesses, nor any material conflict of interests arising from Mr. Yao Jinbo's position and shareholding in Anjuke and Siweideng, having taken into account that (a) our Company is a leading service provider in community, commercial and urban spaces, which offers, among others, home sale and rental brokerage services as an extension of our residential property services only while (i) Anjuke focuses on developing its online real estate service platform business and serves as an intermediary and (ii) Siweideng is a global accommodation operator focusing on the provision of chain-owned homestay, apartments and villas; and (b) the role of Mr. Yao in our Company is non-executive in nature and he has not involved in the day-to-day management of the operations of our Group.

Mr. Yao Jinbo confirms he is also aware of his fiduciary duties as a Director which require, among other things, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of Mr. Yao's positions held in the Relevant Director Businesses, Mr. Yao shall abstain from voting on any resolutions of our Board approving any contract or arrangement or any other proposal in which he has a material interest and shall not be counted in the quorum present at the relevant meeting of our Board.

Our Directors are of the view that such Relevant Director Businesses will not result in any substantial competition issues under Rule 8.10 of the Listing Rules.

Save as disclosed in this annual report, none of the Directors or their associates engaged in any business (other than the business of our Group) which competes or is likely to compete, either directly or indirectly, with the businesses of our Group, or had any interest therein, which would require disclosure under Rule 8.10 of the Listing Rules as of December 31, 2022.

H Share Full Circulation Application

On March 31, 2023, the Company received the official approval of China Securities Regulatory Commission ("CSRC") in relation to the H Share Full Circulation, pursuant to which, the CSRC approved 21 Shareholders of the Company to convert a total of 1,050,420,000 unlisted Shares held by them into overseas listed Shares, which can be listed and traded on the Main Board of the Stock Exchange upon completion of the conversion (the "Conversion and Listing"). For further details, please refer to the Company's announcements dated November 22, 2022, January 11, 2023 and March 31, 2023.

The details of the implementation plan of the H Share Full Circulation and Conversion and Listing have not been finalized. The Company will make further announcements on the progress of the H Share Full Circulation and the Conversion and Listing in compliance with the Listing Rules and applicable laws as and when appropriate. The H Share Full Circulation and Conversion and Listing are subject to other relevant procedures as required by the CSRC, the Stock Exchange and other domestic and overseas regulatory authorities.

CONTINUING CONNECTED TRANSACTIONS

According to Chapter 14A of the Listing Rules, the details of the continuing connected transactions of the Company during the reporting period are as follows:

1. Property Lease

On September 13, 2022, our Company (for itself and on behalf of its subsidiaries) entered into a framework property lease agreement (the "**Framework Property Lease Agreement**") with China Vanke (for itself and on behalf of members of the Retained China Vanke Group and their respective associates), pursuant to which our Group will lease certain properties from members of the Retained China Vanke Group (including their respective associates) for office use (the "**Property Lease**"). The Framework Property Lease Agreement has a term commencing from the Listing Date to December 31, 2024, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The annual caps payable to members of the Retained China Vanke Group and their respective associates by our Group in respect of the Framework Property Lease Agreement for the three years ended December 31, 2024 are RMB28 million, RMB48 million and RMB68 million, respectively.

China Vanke is the controlling shareholder of our Company and therefore constitutes a connected person of our Company. Accordingly, the transactions under the Framework Property Lease Agreement constitute continuing connected transactions for our Company. During the year ended December 31, 2022, the Group's expenses on leasing certain properties from members of the Retained China Vanke Group and their respective associates for office use amounted to RMB25.2 million, which did not exceed the annual caps of RMB28 million.

2. Property Services

On September 13, 2022, our Company (for itself and on behalf of its subsidiaries) entered into a framework property services agreement ("**Framework Property Services Agreement**") with China Vanke (for itself and on behalf of members of the Retained China Vanke Group and their respective associates), pursuant to which our Group agreed to provide property services to members of the Retained China Vanke Group and their respective associates, including (i) residential property services in respect of the unsold residential properties developed and to be developed by members of the Retained China Vanke Group and their respective associates; and (ii) property and facility management services in respect of the commercial properties owned or used by members of the Retained China Vanke Group and their respective associates (the "**Property Services**"). The Framework Property Services Agreement has a term commencing from the Listing Date to December 31, 2024, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The annual caps payable to our Company by members of the Retained China Vanke Group and their respective associates in respect of the Framework Property Services Agreement for the three years ended December 31, 2024 are RMB936 million, RMB1,078 million and RMB1,244 million, respectively.

China Vanke is the controlling shareholder of our Company and therefore constitutes a connected person of our Company. Therefore, the transactions under the Framework Property Services Agreement constitute continuing connected transactions for our Company. During the year ended December 31, 2022, the total revenue from property services provided by our Company to members of the Retained China Vanke Group and their respective associates was RMB934.7 million, which did not exceed the annual caps of RMB936 million.

3. Value-added Services

On September 13, 2022, our Company (for itself and on behalf of its subsidiaries) entered into a framework value-added services agreement ("**Framework Value-added Services Agreement**") with China Vanke (for itself and on behalf of members of the Retained China Vanke Group and their respective associates), pursuant to which our Group agreed to provide value-added services to the properties owned or used by members of the Retained China Vanke Group and their respective associates, including but not limited to (i) sale center and model room management services; (ii) pre-delivery support services; and (iii) building maintenance services in respect of the properties developed by members of the Retained China Vanke Group and their respective associates (the "**Value-added Services**"). The Framework Value-added Services Agreement has a term commencing from the Listing Date to December 31, 2024, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The annual caps payable to our Company by members of the Retained China Vanke Group and their respective associates in respect of the Framework Value-added Services Agreement for the three years ended December 31, 2024 are RMB2,729 million, RMB2,706 million and RMB2,703 million, respectively.

China Vanke is the controlling shareholder of our Company and therefore constitutes a connected person of our Company. Therefore, the transactions under the Framework Value-added Services Agreement constitute continuing connected transactions for our Company. During the year ended December 31, 2022, the total revenue from value-added services provided by our Company to members of the Retained China Vanke Group and their respective associates was RMB2,616.8 million, which did not exceed the annual caps of RMB2,729 million.

4. AIoT and BPaaS Solution Services

On September 13, 2022, our Company (for itself and on behalf of its subsidiaries) entered into a framework AIoT and BPaaS solution services agreement (the "**Framework AIoT and BPaaS Solution Services Agreement**") with China Vanke (for itself and on behalf of members of the Retained China Vanke Group and their respective associates), pursuant to which we agreed to provide AIoT and BPaaS solution services of (i) design, construction, operation and maintenance of smart property equipment and system, and related services (such as smart property consultancy services and integrated smart space solutions); and (ii) remote space operation services (such as intelligent urban space workflow management services and operation data analysis services) to members of the Retained China Vanke Group and their respective associates (the "**AIoT and BPaaS Solution Services**"). The Framework AIoT and BPaaS Solution Services Agreement has a term commencing from the Listing Date to December 31, 2024, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The annual caps payable to our Company by members of the Retained China Vanke Group and their respective associates in respect of the Framework AIoT and BPaaS Solution Services Agreement for the three years ended December 31, 2024 are RMB1,029 million, RMB1,237 million and RMB1,373 million, respectively.

China Vanke is the controlling shareholder of our Company and therefore constitutes a connected person of our Company. Therefore, the transactions under the Framework AIoT and BPaaS Solution Services Agreement constitute continuing connected transactions for our Company. During the year ended December 31, 2022, the total revenue from AIoT and BPaaS solution services provided by our Company to members of the Retained China Vanke Group and their respective associates was RMB960.3 million, which did not exceed the annual caps of RMB1,029 million.

5. Property Agency Services

On September 13, 2022, our Company (for itself and on behalf of its subsidiaries) entered into a framework property agency services agreement (the "**Framework Property Agency Services Agreement**") with China Vanke (for itself and on behalf of members of the Retained China Vanke Group and their respective associates), pursuant to which we agreed to provide property agency services to members of the Retained China Vanke Group and their respective associates, and receive service fees as consideration. The property agency services mainly include conducting marketing and sale activities, sourcing potential clients to enter into property sale and purchase agreements in respect of (i) the residential and commercial property units; and (ii) the carpark space and other properties developed and to be developed by members of the Retained China Vanke Group and their respective associates (the "**Property Agency Services**"). The Framework Property Agency Services Agreement has a term commencing from the Listing Date to December 31, 2024, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The expected maximum service fees payable to our Company by members of the Retained China Vanke Group and their respective associates in respect of the Framework Property Agency Services Agreement and maximum daily balance of the Deposits payable by our Company to members of the Retained China Vanke Group and their respective associates for the three years ended December 31, 2024 are as follows:

	For the year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Annual Caps of Service Fees	410,000	447,000	496,000
Maximum Daily Balance of the Deposits	1,643,056	1,643,056	1,643,056

China Vanke is the controlling shareholder of our Company and therefore constitutes a connected person of our Company. Therefore, the transactions contemplated under the Framework Property Agency Services Agreement constitute continuing connected transactions for our Company. During the year ended December 31, 2022, the total revenue from property agency services provided by our Company to members of the Retained China Vanke Group and their respective associates was RMB310.6 million, which did not exceed the annual caps of RMB410 million. During the year ended December 31, 2022, the maximum daily balance of the Deposits paid by our Company to members of the Retained China Vanke Group and their respective associates was RMB1,602.7 million, which did not exceed the caps of RMB1,643 million.

CONFIRMATION FROM OUR INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed the aforementioned continuing connected transactions, and confirmed that these transactions were conducted in the ordinary daily business of the Group, on normal or better commercial terms and in accordance with the relevant agreements governing these transactions on the terms that were fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION FROM THE AUDITOR

The Company's auditor has been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The letter with unqualified opinion issued by the auditor in respect of the results and conclusions of the review of the disclosed continuing connected transactions is set out below:

(a) nothing material has been found that would prevent the disclosed continuing connected transactions from being approved by the Board of Directors of the Company;

(b) in respect of connected transactions relating to the provision of goods or services by the Group, it is not found that the Group has not entered into the transactions in accordance with the pricing policy of the Group in all material aspects;

(c) nothing material has been found that would lead it to believe that the transactions have not been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions in all material aspects; and

(d) in respect of the total amount of all continuing connected transactions, nothing material has been found that would lead it to believe that the disclosed continuing connected transactions have exceeded the relevant caps for the year ended December 31, 2022.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions conducted by the Group for occurred during the year ended December 31, 2022 is contained in note 35 to the consolidated financial statements of the Group in this annual report.

With respect of the note 35 to "Related Party Transactions" to the consolidated financial statements contained in the annual report, those transactions which constitute continuing connected transactions of the Company have been disclosed above or constitute fully exempted connected transactions or continuing connected transactions of the Company due to all applicable percentage ratios are less than 0.1%. The Company has complied with the disclosure requirements for connected transactions or continuing connected transactions in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 35 to the consolidated financial statements of our Group in this annual report, "Directors' or Supervisors' Service Contracts", "Directors' Interests in Competing Businesses" and the section headed "Continuing Connected Transactions", none of the Directors, Supervisors or their related entities of the Company has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries, fellow subsidiaries or its parent is a party, and which subsisted at the end of the year or at any time during the year ended December 31, 2022.

MAIN RISKS AND UNCERTAINTIES

Main risks and uncertainties the Group is exposed to include, among others, that:

The Success of Our Business is Dependent on General Economic and Market Conditions.

We operate in the community space living consumption services market, commercial and urban space integrated services market and intelligent city tech services market in China, the growth of which is affected by general economic and market conditions, including, but not limited to: changes in international, national, regional and local economic conditions; changes in local real estate conditions, fluctuations in levels of consumer spending, and changes in relevant laws and regulations.

Economic weakness or recession, rising interest rates, fiscal or political uncertainty, falling real estate values, disruption to the global capital or credit markets may also negatively affect the markets we operate in, which could, in turn, have a material adverse effect on our business.

The Payments We Collected from Properties Managed on a Remuneration Basis May Not Cover Our Costs.

When we are contracted to manage properties on a remuneration basis, we essentially act as an agent of the property owners. As of the end of a period, if the working capital of a project accumulated is insufficient to cover the expenses such project incurs to arrange for property management services, the shortfall will be recognized as other receivables. We cautiously assess the recoverability of the shortfall and make provision for impairment losses on a project-by-project basis, taking into consideration various factors, including but not limited to (i) credibility and payment record of our customers; and (ii) the profit or loss of the project for the year. We make reversal when the shortfall is subsequently received. However, we may fail to recover the shortfall and reverse impairment losses, which in turn may materially and adversely affect our business, financial condition and results of operations.

The Strategy of Promoting "Onewo Town Model" Would Result in Fluctuations in Our Profit in the Short Term.

We strategically selected sub-districts in which we have multiple properties under management and our employees could commute between managed properties within 20 to 30 minutes, breaking through traditional geographic boundaries of community, commercial and urban space services. By connecting all managed properties in Onewo Towns, we can provide hybrid services across community, commercial and urban spaces through resource sharing and expedited response. Our strategy has achieved initial success at present. However, due to the measures such as investment in infrastructure improvement required for constructing Onewo Towns, our profit may be affected in the short term.

Brands and Reputation Are Our Key Assets and Affect How We Are Perceived in the Market. Any Damage to Brand Image Could Adversely Affect Our Business.

Brands are our key assets. We carry out our community space living consumption services, commercial and urban space integrated services and AIoT and BPaaS solution services primarily through our "Vanke Service (萬科物業)", "Cushman & Wakefield Vanke Service (萬物梁行)", "City Up" and "Vanrui IntelliTech (萬睿科技)" brand names. Our ability to attract and retain customers is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, management, workplace culture, financial condition, our response to unexpected events and other subjective qualities. The success of our business depends substantially upon our continued ability to increase brand recognition and further grow brand equity. As certain trademarks, such as "Vanke Service", are licensed by China Vanke Group, if we or these entities or our or their respective directors, management personnel or other employees take action that damages such brand names or corporate image, or if any material negative publicity is associated with any of them, for example, as a result of regulatory investigations into, or other proceedings involving, wrongdoing or corrupt practices engaged in by any such entity or person, our brand image and reputation as well as our market value may be adversely affected.

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group has compliance procedures in place to ensure compliance with applicable laws, rules and regulations which have a significant influence on the Group. As at the date of this annual report, save as disclosed herein, the Group has complied with, in all material respects, all relevant and applicable PRC laws and regulations governing the property management business. The Group has obtained all licenses, permits and certificates for conducting its business operations.

As at the date of this annual report, the Group was not involved in and the Board of Directors was not aware of any non-compliance incidents which may have adverse effect on the value of the Company therein.

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

As of December 31, 2022, the interests and short positions of Directors, Supervisors and chief executive in the Shares, underlying Shares and debentures of our Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which were required, under Section 352 of the SFO, to be entered in the register kept by the Company, or which were required, under the Model Code, to be notified to our Company and the Stock Exchange were as follows:

Interest in Shares of the Company

Name	Title	Nature of interest	Class of Shares	Number of Shares (1)	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital of our Company
Mr. Zhu Baoquan (2)	Executive Director, the chairman of the Board and the general manager	Interest in controlled corporations	Unlisted Foreign Shares	90,000,000 (L)	27.27%	7.64%
Mr. Yao Jinbo (3)	Non-executive Director	Interest in controlled corporations	Unlisted Foreign Shares	30,042,000 (L)	9.10%	2.55%

Notes:

(1) (L)－long position

(2) Ruida I Limited directly held 35,000,000 Shares of the Company, Ruida II Limited directly held 23,284,000 Shares of the Company, Ruida III Limited directly held 23,057,000 Shares of the Company, Ruida IV Limited directly held 2,970,000 Shares of the Company, and Ruida V Limited directly held 5,689,000 Shares of the Company.

Each of Ruida I Limited and Ruida II Limited is a wholly-owned subsidiary of Ruida Investments I Limited Partnership. Ruida III Limited is a wholly-owned subsidiary of Ruida Investments IV Limited Partnership and Ruida V Limited is a wholly-owned subsidiary of Ruida Investments III Limited Partnership. Glorious Falcon Investment Limited is the general partner of each of Ruida Investments I Limited Partnership, Ruida Investments IV Limited Partnership and Ruida Investments III Limited Partnership. In addition, Shenzhen Yuying No. 23 Investment Management Partnership Enterprise (Limited Partnership) (深圳市譽鷹第二十三投資管理合夥企業(有限合夥)) is a limited partner holding approximately 62.86% interests in Ruida Investments I Limited Partnership and the remaining interests are held by the general partner, Glorious Falcon Investment Limited. Ruida IV Limited is a limited partner holding approximately 50.00% interests in Ruida Investments III Limited Partnership and the remaining interests are held by the general partner. Glorious Falcon Investment Limited is a wholly-owned subsidiary of Ruida IV Limited, which in turn wholly owned by Shenzhen Yuying No. 21 Investment Management Partnership Enterprise (Limited Partnership) (深圳市譽鷹第二十一投資管理合夥企業(有限合夥)) ("**Yuying 21**"). The general partner of Yuying 21 is Shenzhen Yuying Investment Management Co., Ltd. (深圳市譽鷹投資管理有限公司) ("**Yuying Investment**"). Mr. Zhu Baoquan, our chairman of the Board, an executive Director and the general manager of our Company, holds 67% of interests in Yuying Investment.

Therefore, Mr. Zhu Baoquan is deemed to be interested in the aggregate 90,000,000 Shares of the Company held by Ruida I Limited, Ruida II Limited, Ruida III Limited, Ruida IV Limited and Ruida V Limited pursuant to Part XV of the SFO.

(3) Dream Landing Holdings Limited ("**Dream Landing**") directly held 30,042,000 Shares of the Company. Dream Landing is a wholly-owned subsidiary of Dream Warrior Inc., which is an indirect wholly-owned subsidiary of 58.com Inc.. 58.com Inc. is ultimately controlled by Mr. Yao Jinbo, our non-executive Director. Therefore, Mr. Yao Jinbo is deemed to be interested in the 30,042,000 Shares of the Company held by Dream Landing pursuant to Part XV of the SFO.

Interest in Underlying Shares of Associated Corporations of Our Company

Name	Title	Name of associated corporation	Nature of interest	Class of Shares	Number of Shares (1)	Approximate percentage of shareholding in the relevant class of the underlying shares of the relevant associated corporation	Approximate percentage of shareholding in the total share capital of the relevant associated corporation
Mr. Wu Jianxia	Supervisor	China Vanke	Beneficial owner	A shares	15,100 (L)	0.00016%	0.00013%
Ms. Han Huihua	Supervisor	China Vanke	Beneficial owner	A shares	133,000 (L)	0.00137%	0.00114%

Note:

(1) (L)－long position

As of December 31, 2022, save as disclosed above, none of the Directors, Supervisors or chief executive of the Company, to the knowledge of our Directors, had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) which were required, under the Model Code, to be notified to our Company and the Stock Exchange.

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

Long Position in Shares of the Company

As of December 31, 2022, as far as the Company is aware, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, other than our Directors, Supervisors or chief executive of the Company, the following persons hold 5% or more interests in the Shares or underlying Shares:

Name	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of the interest in our Company
China Vanke Co., Ltd. (萬科企業股份有限公司) ("**China Vanke**") (1)	Beneficial owner	Domestic Shares	600,000,000 (L)	83.29%	50.91%
	Interest in controlled corporations	Domestic Shares	60,602,000 (L)	8.41%	5.14%
Shenzhen Wanhuquanyuan Management Consulting Co., Ltd. (深圳市萬斛泉源管理諮詢有限公司) ("**Wanhuquanyuan**") (1)	Beneficial owner	Domestic Shares	35,602,000 (L)	4.94%	3.02%
Shenzhen Wanqing Management Consulting Co., Ltd. (深圳市萬頃管理諮詢有限公司) ("**Wanqing**") (1)	Beneficial owner	Domestic Shares	5,000,000 (L)	0.69%	0.42%
Shenzhen Wanhu Management Consulting Co., Ltd. (深圳市萬斛管理諮詢有限公司) ("**Wanhu**") (1)	Beneficial owner	Domestic Shares	5,000,000 (L)	0.69%	0.42%
Shenzhen Wanmazhengxian Management Consulting Co., Ltd. (深圳市萬馬爭先管理諮詢有限公司) ("**Wanmazhengxian**") (1)	Beneficial owner	Domestic Shares	5,000,000 (L)	0.69%	0.42%
Shenzhen Yingda Investment Fund Management Co., Ltd. (深圳市盈達投資基金管理有限公司) ("**Yingda Investment Fund**") (1)	Beneficial owner	Domestic Shares	5,000,000 (L)	0.69%	0.42%

Name	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of the interest in our Company
Shenzhen Wanshuzhimiao Management Consulting Co., Ltd. (深圳市萬殊之妙管理諮詢有限公司) ("**Wanshuzhimiao**") (1)	Beneficial owner	Domestic Shares	5,000,000 (L)	0.69%	0.42%
Radiant Sunbeam Limited (2)	Beneficial owner	Unlisted Foreign Shares	180,000,000 (L)	54.54%	15.27%
Bumper Harvest Limited (2)	Interest in controlled corporations	Unlisted Foreign Shares	180,000,000 (L)	54.54%	15.27%
Boyu Capital Fund III, L.P. (2)	Interest in controlled corporations	Unlisted Foreign Shares	180,000,000 (L)	54.54%	15.27%
Boyu Capital General Partner III, L.P. (2)	Interest in controlled corporations	Unlisted Foreign Shares	180,000,000 (L)	54.54%	15.27%
Boyu Capital General Partner III, Ltd. (2)	Interest in controlled corporations	Unlisted Foreign Shares	180,000,000 (L)	54.54%	15.27%
Boyu Capital Group Holdings Ltd. (2)	Interest in controlled corporations	Unlisted Foreign Shares	180,000,000 (L)	54.54%	15.27%
Ruida I Limited (睿達第一有限公司) (3)	Beneficial owner	Unlisted Foreign Shares	35,000,000 (L)	10.60%	2.97%
Ruida II Limited (睿達第二有限公司) (3)	Beneficial owner	Unlisted Foreign Shares	23,284,000 (L)	7.05%	1.98%
Ruida Investments I Limited Partnership (3)	Interest in controlled corporations	Unlisted Foreign Shares	58,284,000 (L)	17.66%	4.95%
Ruida III Limited (睿達第三有限公司) (3)	Beneficial owner	Unlisted Foreign Shares	23,057,000 (L)	6.99%	1.96%
Ruida Investments IV Limited Partnership (3)	Interest in controlled corporations	Unlisted Foreign Shares	23,057,000 (L)	6.99%	1.96%
Ruida V Limited (睿達第五有限公司) (3)	Beneficial owner	Unlisted Foreign Shares	5,689,000 (L)	1.72%	0.48%
Ruida Investments III Limited Partnership (3)	Interest in controlled corporations	Unlisted Foreign Shares	5,689,000 (L)	1.72%	0.48%

Name	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of the interest in our Company
Glorious Falcon Investment Limited [4]	Interest in controlled corporations	Unlisted Foreign Shares	87,030,000 (L)	26.37%	7.39%
Ruida IV Limited (睿達第四有限公司) [4]	Beneficial owner	Unlisted Foreign Shares	2,970,000 (L)	0.90%	0.25%
	Interest in controlled corporations	Unlisted Foreign Shares	87,030,000 (L)	26.37%	7.39%
Shenzhen Yuying No. 21 Investment Management Partnership Enterprise (Limited Partnership) (深圳市譽鷹第二十一投資管理合夥企業(有限合夥))[4] ("**Yuying 21**")	Interest in controlled corporations	Unlisted Foreign Shares	90,000,000 (L)	27.27%	7.64%
Shenzhen Yuying No. 23 Investment Management Partnership Enterprise (Limited Partnership) (深圳市譽鷹第二十三投資管理合夥企業(有限合夥)) [4] ("**Yuying 23**")	Interest in controlled corporations	Unlisted Foreign Shares	58,284,000 (L)	17.66%	4.95%
Shenzhen Yuying Investment Management Co., Ltd. (深圳市譽鷹投資管理有限公司) [4] ("**Yuying Investment**")	Interest in controlled corporations	Unlisted Foreign Shares	90,000,000 (L)	27.27%	7.64%
Zhu Baoquan [4]	Interest in controlled corporations	Unlisted Foreign Shares	90,000,000 (L)	27.27%	7.64%
Dream Landing Holdings Limited[4]	Beneficial owner	Unlisted Foreign Shares	30,042,000 (L)	9.10%	2.55%
Dream Warrior Inc.[4]	Interest in controlled corporations	Unlisted Foreign Shares	30,042,000 (L)	9.10%	2.55%
58.com Inc.[4]	Interest in controlled corporations	Unlisted Foreign Shares	30,042,000 (L)	9.10%	2.55%
HK Rui Xuan Enterprise Management Limited[5] ("**Rui Xuan**")	Beneficial owner	Unlisted Foreign Shares	30,000,000 (L)	9.09%	2.55%

Name	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of the interest in our Company
Qianhai Chuangxiang Technology (Shenzhen) Co., Ltd. (前海創享科技(深圳)有限公司)(5)	Interest in controlled corporations	Unlisted Foreign Shares	30,000,000 (L)	9.09%	2.55%
Shenzhen Linkaiying Technology Development Co., Ltd. (深圳市琳凱盈科技發展有限公司)(5)	Interest in controlled corporations	Unlisted Foreign Shares	30,000,000 (L)	9.09%	2.55%
Shenzhen Linzhu Investment Holding (Group) Co., Ltd. (深圳市琳珠投資控股(集團)有限公司)(5)	Interest in controlled corporations	Unlisted Foreign Shares	30,000,000 (L)	9.09%	2.55%
Shenzhen Linzhu Trading Co., Ltd. (深圳市琳珠貿易有限公司)(5)	Interest in controlled corporations	Unlisted Foreign Shares	30,000,000 (L)	9.09%	2.55%
Chen Kunming(5)	Interest in controlled corporations	Unlisted Foreign Shares	30,000,000 (L)	9.09%	2.55%
China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司)	Beneficial owner	H Shares	11,509,200 (L)	8.99%	0.98%
China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司)	Interest in controlled corporations	H Shares	14,690,200 (L)	11.47%	1.25%
ICBC Credit Suisse Asset Management Co., Ltd. (工銀瑞信基金管理有限公司) (on behalf of ICBC Credit Suisse Taihong No. 60 QDII Single Asset Management Plan (工銀瑞信泰宏60號QDII單一資產管理計劃))	Investment manager	H Shares	11,509,200 (L)	8.99%	0.98%
GIC Private Limited	Investment manager	H Shares	11,222,600 (L)	8.76%	0.95%

Name	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of the interest in our Company
JPMorgan Chase & Co.	Interest in controlled corporations	H Shares	510,435 (L)	0.40%	0.04%
	Interest in controlled corporations	H Shares	455,435 (S)	0.36%	0.04%
	Investment manager	H Shares	11,931,400 (L)	9.32%	1.01%
	Person having a security interest in shares	H Shares	4,059,400 (L)	3.17%	0.34%
CITIC Securities Company Limited	Interest in controlled corporations	H Shares	14,031,411 (L)	10.96%	1.19%
	Interest in controlled corporations	H Shares	14,031,411 (S)	10.96%	1.19%
UBS Group AG	Interest in controlled corporations	H Shares	13,244,091 (L)	10.34%	1.12%
Morgan Stanley	Interest in controlled corporations	H Shares	11,341,937 (L)	8.86%	0.96%
	Interest in controlled corporations	H Shares	1,748,300 (S)	1.37%	0.15%
The Goldman Sachs Group, Inc.	Interest in controlled corporations	H Shares	13,990,636 (L)	10.93%	1.19%
	Interest in controlled corporations	H Shares	17,811,800 (S)	13.91%	1.51%

Notes:

(A) (L) - Long position; (S) - Short position

(1) Each of Wanhuquanyuan, Wanqing, Wanhu, Wanmazhengxian, Yingda Investment Fund and Wanshuzhimiao is a wholly-owned subsidiary of China Vanke. As such, China Vanke is deemed to be interested in the shares of our Company held by each of Wanhuquanyuan, Wanqing, Wanhu, Wanmazhengxian, Yingda Investment Fund and Wanshuzhimiao pursuant to the SFO.

(2) Radiant Sunbeam Limited is a wholly-owned subsidiary of Bumper Harvest Limited, which is in turn wholly owned by Boyu Capital Fund III, L.P. and Boyu Capital General Partner III, L.P. is the general partner of Boyu Capital Fund III, L.P.. Boyu Capital General Partner III, Ltd. is the general partner of Boyu Capital General Partner III, L.P. and Boyu Capital General Partner III, Ltd. is wholly owned by Boyu Capital Group Holdings Ltd.. As such, each of Boyu Capital Group Holdings Ltd., Boyu Capital General Partner III, Ltd., Boyu Capital General Partner III, L.P., Boyu Capital Fund III, L.P. and Bumper Harvest Limited is deemed to be interested in the shares of our Company held by Radiant Sunbeam Limited pursuant to the SFO.

(3) Each of Ruida I Limited and Ruida II Limited is a wholly-owned subsidiary of Ruida Investments I Limited Partnership. Ruida III Limited is a wholly-owned subsidiary of Ruida Investments IV Limited Partnership and Ruida V Limited is a wholly-owned subsidiary of Ruida Investments III Limited Partnership. Glorious Falcon Investment Limited is the general partner of each of Ruida Investments I Limited Partnership, Ruida Investments IV Limited Partnership and Ruida Investments III Limited Partnership. In addition, Yuying 23 is a limited partner holding approximately 62.86% interests in Ruida Investments I Limited Partnership and the remaining interests are held by the general partner, Glorious Falcon Investment Limited. Ruida IV Limited is a limited partner holding approximately 50.00% interests in Ruida Investments III Limited Partnership and the remaining interests are held by the general partner. Glorious Falcon Investment Limited is a wholly-owned subsidiary of Ruida IV Limited, which in turn wholly owned by Yuying 21. The general partner of Yuying 21 is Yuying Investment. Zhu Baoquan, our chairman of the Board, an executive Director and the general manager of the Company, holds 67% of interests in Yuying Investment.

Therefore, Zhu Baoquan is deemed to have controlling interest in the aggregate 90,000,000 Shares of the Company held by Ruida I Limited, Ruida II Limited, Ruida III Limited, Ruida IV Limited and Ruida V Limited pursuant to Part XV of the SFO. Among the 90,000,000 Shares of the Company, 20,000,000 Shares are directly held by Ruida III Limited for investment purpose, and 70,000,000 Shares of the Company are held by the Employee Shareholding Platforms pursuant to the employee stock ownership plan.

(4) Dream Landing Holdings Limited is a wholly-owned subsidiary of Dream Warrior Inc. which is in turn an indirect wholly-owned subsidiary of 58.com Inc.. 58.com Inc. is wholly-owned by Quantum Bloom Group Ltd. (a company incorporated in the Cayman Islands), which is controlled as to more than one-third by Mr. Yao Jinbo (through his intermediary controlled entities). As such, each of Dream Warrior Inc., 58.com Inc., Quantum Bloom Group Ltd. is deemed to be interested in the Unlisted Foreign Shares held by Dream Landing Holdings Limited.

(5) Rui Xuan is a wholly-owned subsidiary of Qianhai Chuangxiang Technology (Shenzhen) Co., Ltd., which is in turn wholly owned by Shenzhen Linkaiying Technology Development Co., Ltd., which is owned as to 95% by Shenzhen Linzhu Investment Holding (Group) Co., Ltd. ("**Linzhu Group**"). Linzhu Group is owned as to 90% by Shenzhen Linzhu Trading Co., Ltd., which is in turn wholly held by Mr. Chen Kunming. As such, each of Qianhai Chuangxiang Technology (Shenzhen) Co., Ltd., Shenzhen Linkaiying Technology Development Co., Ltd., Linzhu Group and Shenzhen Linzhu Trading Co., Ltd. is deemed to be interested in the Unlisted Foreign Shares held by Rui Xuan.

Save as disclosed in this report, as of December 31, 2022, the Company had not been notified by any person (other than a Director, a Supervisor or chief executive of the Company) that he had an interest or short position in the Shares or underlying Shares, which was required to be recorded in the register kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2022, revenue from the largest customer of the Group accounted for approximately 14.3% of the total revenue of the Group, while revenue from the five largest customers of the Group accounted for less than 30% of the total revenue of the Group.

Major Suppliers

For the year ended December 31, 2022, purchases from the largest supplier of the Group accounted for approximately 16.9% of the total purchase of the Group, while purchases from the five largest suppliers of the Group accounted for less than 30% of the total purchase of the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that its employees, customers and suppliers are critical to the sustainable development of the Company and is keen on developing long-term relationships with stakeholders. The Company places significant emphasis on human capital and is committed to fostering an environment in which employees can develop their full potential and they are assisted in achieving their personal and professional development. The Company provides a fair and safe workplace, promoting the diversified development of employees, and offering competitive compensation and benefits as well as career development opportunities based on their achievements and performance. The Group also puts on-going efforts to provide employees with comprehensive training and development resources to enable them to keep abreast of the latest developments in the market and industry, and to improve their performance and self-fulfillment in their positions in the meantime. The Company understands that it is essential to maintain a good relationship with the customers. The Group has established procedures to handle customer complaints and conduct customer satisfaction surveys to ensure that customer complaints are handled in a prompt and timely manner. The Group is also committed to developing good relationships with the suppliers (being long-term business partners) to ensure a stable supply of materials. The Group strengthens its business cooperation relationship with suppliers and contractors through continuous active and effective communication with them to ensure quality and delivery.

MANAGEMENT CONTRACTS

For the year ended December 31, 2022, no contract had been entered into in respect of the management and administration of the Company as a whole or any significant part of the business of the Company, nor did any contract subsist.

ARRANGEMENTS FOR THE PURCHASE OF SHARES OR DEBENTURES

For the year ended December 31, 2022, none of our Directors or their respective spouses or children under the age of 18 had been granted any right to acquire benefits by means of the purchase of shares or debentures of the Company, nor had they exercised any of such rights. In addition, neither the Company, its holding company nor any of its subsidiaries or fellow subsidiaries had entered into any arrangement to enable the Directors to obtain such rights in respect of any other body corporate.

PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2022, the Company and any of its subsidiaries did not purchase, dispose or redeem any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision under the Articles of Association of the Company or the laws of the PRC (i.e. the jurisdiction in which the Company is incorporated) relating to pre-emptive rights that subject the Company to offer new shares to existing Shareholders based on the percentage of shareholding.

TAX CREDIT

As of the Latest Practicable Date, the Company is not aware of any tax credit available to any holders of the Company's securities as a result of holding such securities.

CORPORATE GOVERNANCE

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

EMPLOYEES AND REMUNERATION POLICY

Our journey as a company providing property services started in 1990. Over the last three decades, we have established a strong service culture as well as a customer-centric and creative service team. We have 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 talent that meets our business development needs. In addition, the structure of our human resources includes talents in areas such as customer service, sales and marketing, research and operations, property and project delivery, as well as functional support, forming a diversified and all-rounded team that lays the foundation for our business development.

As of December 31, 2022, the Group had 97,930 employees (December 31, 2021: 106,945 employees), of which male employees accounted for 52.6% and female employees accounted for 47.4%, and the total staff costs during the Reporting Period was approximately RMB10,916.0 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. The Group is committed to creating favorable conditions in the working environment in order to continue to maintain the gender diversity of the Group's employees. At present, the proportion of male and female employees in the Group is relatively balanced. The human resource-related department of the Group will continue to monitor and review the gender proportion of employees, and strive to maintain a balanced proportion of male and female 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

In 2019, the Company launched the "Thousands into Pulin" ("千軍萬馬進樸鄰") employees development project to encourage front line employees to explore new career paths and transform into Pulin asset managers. In 2020, the Company launched the "Onewo Dream Development" ("萬紫千紅好發展") employees development project to further build a multi-path development mechanism with professionalization, diversification and full business scenarios for front line employees, in order to help them move to a larger development stage and gain more labor income.

We provide front line employees with rich skills training and diversified business direction choices, and help front line service staff transition to other positions that are more skilled and more irreplaceable. During the Reporting Period, we assisted 3,130 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, we have promoted a total of 5,173 front line employees to successfully transfer to other positions.

In line with the technological development process of the times, our property services are also undergoing intelligent updates. The self-service property terminal all-in-one machine "Pineapple No. 1" independently developed by Onewo has been put into use all over the country; while bringing efficient and convenient services, it has also replaced the work of many property service front desk staff. Therefore, we have established a special transfer plan for the front desk staff of the property－"Diversified Development Paths of Fortune Depot Employees". In 2022, our 1,876 employees walked out the front desk of the property through the "Diversified Development Paths of Fortune Depot Employees", and received multiple skill trainings in advance, achieving the transition to positions such as life coordinators, digital operation and environmental monitoring.

2. Kilo Plan

Onewo 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 Company 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, we had upgraded the "Double Hundred Plan" to the "Kilo Plan". We plan 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.

In 2022, we updated the resources of the cooperative universities for "Kilo Plan", and provided employees with 52 school resources available for admission, including South China Normal University, Jinan University and Xiamen University of Technology. During the Reporting Period, the "Kilo Plan" helped 559 employees improve their academic qualifications, and an estimated RMB3.4 million of scholarship was invested in the plan.

3. Talent Training and Development

Onewo combined the needs of business development and employee growth to build a diversified employee training system and provide employees with learning opportunities for self-challenge and continuous development. We established the talent training system with the cores of "service ability", "leadership " and "growth momentum", launched various forms of training products and programs to meet the development needs of the talent team.

EMPLOYEE STOCK OWNERSHIP PLAN

China Vanke introduced and adopted an internal business partnership scheme (事業合夥人機制) for employees of its property service business, being our Company, in June 2015 to attract and retain talents and to enhance the Company's competitiveness for long-term development. Before the Listing, the Company has further amended and consolidated the business partnership scheme as the Employee Stock Ownership Plan ("**ESOP**"). Please refer to the section headed "Statutory and General Information – 5. Employee Stock Ownership Plan" in the Prospectus for details.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Protection

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

For the year ended December 31, 2022 and up to the date of this annual report, the Group had not been subject to any material administrative penalties due to violation of environmental laws in the PRC.

Social Responsibility

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

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

Health and Work Safety

The administrative measures for employees adopted by the Group contain the policies and procedures regarding work safety and occupational health matters. The Group provides its employees with annual medical checks and safety training, and the properties of the Group are equipped with public safety facilities.

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

During the year ended December 31, 2022 and up to the date of this annual report, the Group did not encounter any material safety accident or material claims for personal or property damages or make material compensation payouts to employees in respect of claims for personal or property damages related to safety accident.

For more information about our environmental, social and governance performance, please refer to the 2022 Environmental, Social and Governance Report of the Company.

INDEMNITY AND INSURANCE PROVISIONS

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group for the year ended December 31, 2022.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Group had no material events after the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

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

The Company has applied for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rule 8.08 of the Listing Rules so that the minimum percentage of our Shares from time to time held by the public will be the higher of (a) 10.0%; and (b) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option, of the enlarged issued share capital of the Company, subject to our confirmation that we:

(i) will announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option, such that the public will be informed of the minimum public float requirement applicable to the Company;

(ii) will increase the public float percentage to approximately 17.7% through applying for H share full circulation to convert certain Domestic Shares and Unlisted Foreign Shares into H Shares, completion of which is subject to CSRC's approval, within a period of one year from the Listing Date and make appropriate announcement and/or disclosure after the Listing pursuant to the Listing Rules in respect of such conversion of Domestic Shares and Unlisted Foreign Shares into H Shares;

(iii) will ensure an open market in the H Shares, and the number of H Shares to be held by the public and their distribution would enable the market to operate properly with a lower percentage;

(iv) will confirm the sufficiency of public float in successive annual reports after the Listing;

(v) will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum 10.0% public float of H Shares (or such higher percentage upon the completion of any exercise of the Over-allotment Option); and

(vi) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the Latest Practicable Date prior to the issue of this annual report, the Company is not aware of any deviation from the above confirmation.

CHARITABLE DONATIONS

For the year ended December 31, 2022, the Group made charitable and other donations in a total amount of RMB0.7 million.

AUDITOR

Ernst & Young has reviewed the consolidated financial statements for the year ended December 31, 2022. The resolution on the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the annual general meeting for approval.

DIVIDEND POLICY

The declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall also take into account the following factors when considering whether to propose dividends and determining the dividend amount: our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group, as well as other factors that our Board may consider important. No dividend will be declared or payable except out of our profits lawfully available for distribution.

RESERVES

Details of movements in the reserves of the Group for the year ended December 31, 2022 are set out in the consolidated statements of changes in equity in this annual report. As at December 31, 2022, the distributable reserves of the Company were approximately RMB2,106.8 million.

DIVIDEND

The Board recommends a final dividend totalling 10% of the EBITDA, with RMB0.241 per share (including tax), which will be declared to Shareholders for the year ended December 31, 2022 ("**2022 Final Dividend**"), which is subject to the approval by Shareholders at the forthcoming annual general meeting of the Company. 2022 Final Dividend is expected to be paid in cash on or about July 7, 2023 to Shareholders whose names appear on the register of members of the Company on June 26, 2023.

CLOSURE OF REGISTER OF MEMBERS

(a) For Determining the Entitlement of the Shareholders to Attend and Vote at the Annual General Meeting

The register of members of the Company will be closed from May 15, 2023 to June 16, 2023 (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 annual general meeting, 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 12, 2023.

(b) For Determining the Entitlement of the Shareholders to the Proposed 2022 Final Dividend

Subject to the approval by Shareholders of the Company at the annual general meeting, the 2022 Final Dividend will be paid on or about July 7, 2023. For determining the entitlement to the proposed 2022 Final Dividend, the register of members of the Company will be closed from June 22, 2023 to June 26, 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed 2022 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 June 21, 2023.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on June 16, 2023. The notice of the annual general meeting will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://www.onewo.com) and despatched to the shareholders of the Company in due course.

PROFESSIONAL TAX ADVICE RECOMMENDED

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.

If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares, they are advised to consult an expert.

On behalf of the Board
Onewo Inc.
Zhu Baoquan
Chairman, Executive Director and General Manager

Shenzhen, April 26, 2023

REPORT OF THE BOARD OF SUPERVISORS

The Board of Supervisors of the Company hereby presents the Shareholders the report of the Board of Supervisors for the financial year ended December 31, 2022.

During the year ended December 31, 2022, with the principle of being accountable to shareholders, the Board of Supervisors stood firmly on the Company's culture and values, conscientiously performed its duties and obligations, reviewed the financial accounts of the Company and supervised the management and operation of the Company, the implementation of the resolutions approved at general meetings and the compliance with relevant laws and regulations and Articles of Association by Directors and senior management in discharging their duties, in accordance with the requirements of Listing Rules, Articles of Association and Procedural Rules for the Board of Supervisors, etc.

The Board of Supervisors was of the view that the Company was in standard operation in accordance with the requirements of relevant laws and regulations such as Listing Rules and management systems such as Articles of Association and that the diligent performance of Directors and senior management has effectively safeguarded the interest of the Company and shareholders during the year ended December 31, 2022.

THE MEMBERS OF THE BOARD OF SUPERVISORS AND MEMBERSHIP CHANGE DURING THE REPORTING PERIOD

As of December 31, 2022, the Board of Supervisors of the Company consisted of three members, comprising one chairperson of the Board of Supervisors, one Supervisor and one employee representative Supervisor. According to Articles of Association, the term of office of a Supervisor shall be three years, renewable upon re-election and re-appointment.

The composition of the Board of Supervisors is as follows:

Name	Position
Ms. Xiang Yun	Chairperson of the Board of Supervisors
Ms. Han Huihua	Shareholder Representative Supervisor
Mr. Wu Jianxia	Employee Representative Supervisor

THE MAJOR WORK PERFORMED BY THE BOARD OF SUPERVISORS IN 2022

The major work performed by the Board of Supervisors during the year ended December 31, 2022 is as follows:

1. Held the Meetings of the Board of Supervisors and Diligently Performed the Duties of Board of Supervisors

During the year ended December 31, 2022, a total of 2 meetings of the Board of Supervisors were held by the Board of Supervisors. The attendances of Supervisors at the meetings of the Board of Supervisors are as follows:

Name	Supervisor category	Number of actual attendances/number of scheduled attendances
Xiang Yun	Chairperson of the Board of Supervisors	2/2
Han Huihua	Shareholder Representative Supervisor	2/2
Wu Jianxia	Employee Representative Supervisor	2/2

2. Supervising the Performance of Duties by Directors and Senior Management

During the year ended December 31, 2022, the members of the Board of Supervisors reviewed each Board resolution, inspected the Company's daily operations and management, and supervised the performance of duties of Directors and senior management of the Company by attending the meetings of the Board of Directors.

3. Supervising the Operations of the Company

During the year ended December 31, 2022, the members of the Board of Supervisors participated in the discussion of the condition of the Company's operations and supervised the Company's operations through attending meetings of the Board of Directors and the shareholders' general meeting of the Company. The Board of Supervisors believes that all business activities of the Company have complied with relevant laws and regulations and the Articles of Association.

In 2022, the Board of Supervisors strengthened its tour of inspection of each business unit, and gave a warning to the areas with poor investigation results on employee integrity and prominent internal control issues in some business units during on-site visits, interviews, seminars and trainings, urging relevant management personnel to be more attentive to their duties, improve internal control construction, and prevent the exposures to career limits breakdown; and promoted the establishment of integrity systems for all business segments to create an honest working environment.

INDEPENDENT OPINIONS ON CERTAIN MATTERS OF THE COMPANY

1. Compliance of the Company's Operations with the Law

The Board of Supervisors believes that the Company has been able to operate under the law and standardize its management, and the operating results are objective and authentic. The Company's internal control management has been gradually improved, and a relatively sound and comprehensive internal control system has been established to enable effective risk identification and control, ensure the normal and orderly operation of each business of the Company, and ensure the safety and integrity of the Company's capital assets. The Company's Directors and senior management have been able to carefully and conscientiously exercise their functions and powers pursuant to relevant laws and regulations, and no breach of laws or regulations that harms the interests of shareholders has come to the notice of the Board of Supervisors.

2. Inspection of the Company's Financial Position

The Board of Supervisors carefully supervised, inspected and audited the financial position, financial management and operating results of the Company during the Reporting Period, and reviewed the Group's audited financial report and other financial information for the year ended December 31, 2022. The Board of Supervisors is of the view that the audited report gives a comprehensive, truthful and objective reflection of the operating results and financial position of the Company, without any false records, misleading statements or material omissions.

3. Performance Evaluation of Directors and Senior Management

The Board of Supervisors believes that the Directors and senior management of the Company have been law-abiding, dutiful, pragmatic and dedicated and have adopted a legal decision-making process, effectively safeguarding the interests of the Company and its shareholders.

4. Continuing Connected Transactions

During the year ended December 31, 2022, the continuing connected transactions of the Company were carried out in the ordinary and usual course of business of the Group on normal or better commercial terms and under the relevant agreements governing such transactions and the terms are fair and reasonable and in the interests of the shareholders as a whole. The consideration, voting, disclosure and performance in connection with the continuing connected transactions were compliant with the relevant provisions of laws, regulations and the articles of association.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

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 Group is fully aware of the important role played by the Board of Directors in providing effective guidance for the Group's business and ensuring the transparency and accountability of the Group's operations. The Board of Directors fully understands that good corporate governance will lead the Group to success and enhance Shareholders' value. Therefore, the Board of Directors formulates a series of corporate governance policies and systems to protect Shareholders' interests and enhance corporate value. At the same time, all Directors shall act with integrity, lead by example and be committed to promoting the corporate culture.

The Company has adopted the CG Code as its own code of corporate governance, and to the best knowledge of the Directors, the Company has complied with all applicable code provisions set out in the CG Code after the listing and 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 separate and should not be performed by the same individual. Mr. Zhu Baoquan is the chairman of our Board and the general manager of our Company and the roles of Mr. Zhu Baoquan have not been separate 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 of the Company 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.

During the year ended December 31, 2022, Mr. Zhu Baoquan, Chairman of the Board, held a meeting (without other Directors' attendance) with Independent non-executive Directors to discuss the Company's strategy and future development direction. At the same time, Mr. Zhu Baoquan encouraged all Directors to actively express their opinions on the Company's operation and development and matters of concern to the Company, to ensure that appropriate steps were taken to effectively communicate with Shareholders, to ensure that Shareholders' views could be delivered to the entire Board of Directors, and to take appropriate steps to ensure that Shareholders could measure the application of relevant corporate governance principles.

Directors use their best endeavors to procure the Company to continue to comply with the CG Code.

INDUCTION TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each Director will be provided with the necessary induction training and data to ensure that he/she has a full understanding of the operations and business of the Company and his/her responsibilities in accordance with the relevant regulations, articles, laws, rules and legislation. The Company will continue to arrange seminars regularly to provide the latest development and changes of Listing Rules and other relevant laws and regulations from time to time. Directors are also regularly provided with updates on the performance, positions, and prospects of the Company to enable the Board as a whole and each Director to perform their duties.

During the Reporting Period, the Company provides the training material for Listing Rules and other applicable regulatory requirements to Directors and management of the Company.

Name of Directors	Reading or attending briefings and/or seminars and/or conferences relevant to regulatory and governance updates
Executive Directors	
Mr. Zhu Baoquan	✓
Mr. He Shuhua	✓
Non-executive Directors	
Mr. Wang Wenjin	✓
Mr. Zhang Xu	✓
Mr. Sun Jia	✓
Mr. Zhou Qi	✓
Mr. Yao Jinbo	✓
Independent non-executive Directors	
Ms. Law Elizabeth	✓
Mr. Chen Yuyu	✓
Mr. Shen Haipeng	✓
Mr. Song Yunfeng	✓

CORPORATE GOVERNANCE REPORT

THE BOARD

1. Responsibilities

The Board is the main decision-making organization of the Company and assumes the responsibility of leadership and control of the Company, and supervises and approves significant decisions regarding financial performance, strategic development objectives and operations of the Company. The Board delegates to the management authority and responsibility for the Company's daily operations and businesses management according to the Board's instructions. The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board (together, the "**Board Committees**"), and has delegated to the Board Committees various duties. All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

All Directors shall at all times ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders.

Under the leadership and supervision of the general manager, the senior management of the Group is responsible for the management of the Company's daily operations and the operation of various functions. The Board of Directors gives clear instructions to the senior management by reviewing the Company's annual key work and other matters. Matters delegated by the Board to the management include the implementation of strategies and directions determined by the Board, the Group's business operations and compliance with applicable laws.

The Board of Directors also retains its decision-making power on all major matters of the Group, including approval and monitoring of all corporate governance and policy matters, overall strategy and budget, risk management and internal control systems, major transactions (especially major transactions that may involve conflicts of interest), financial information, appointment of Directors and other material financial and operational matters.

2. Board Composition

Executive Directors

Mr. Zhu Baoquan
Mr. He Shuhua

Non-executive Directors

Mr. Wang Wenjin
Mr. Zhang Xu
Mr. Sun Jia
Mr. Zhou Qi
Mr. Yao Jinbo

Independent non-executive Directors

Ms. Law Elizabeth
Mr. Chen Yuyu
Mr. Shen Haipeng
Mr. Song Yunfeng

There is no material financial, business, family or other relationship between any members of the Board. The biographies of the Directors are set out under the section headed "Directors, Supervisors and Senior Management" in this annual report. All the Directors, including the independent non-executive Directors, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

The Company has complied with Rule 3.10 and Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received a confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for a term of three years.

3. Chairman and Chief Executive Officer

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

4. Board Meetings

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

The Company has adopted the practice of holding Board meetings regularly. Notices of not less than 14 days are given of all regular Board meetings to provide all Directors with the opportunity to attend and include matters in the agenda. For other committee meetings, a notice will be given 3 days prior to the meeting. When the Directors or committee members are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and committee meetings are recorded in detail and include the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors within a reasonable time after the date on which the meeting is held, which allows enough time for them to request amendments.

From the Listing Date of the Company to the year ended December 31, 2022, the Company convened 3 Board meetings and had not convened any general meetings. The table below sets forth the details of the attendance at these Board meetings:

Name of Directors	Number of meetings attended/ held during the Director's term of office Board Meetings
Executive Directors	
Mr. Zhu Baoquan	2/2
Mr. He Shuhua	2/2
Non-executive Directors	
Mr. Wang Wenjin	2/2
Mr. Zhang Xu	2/2
Mr. Sun Jia	2/2
Mr. Zhou Qi	2/2
Mr. Yao Jinbo	2/2
Independent non-executive Directors	
Ms. Law Elizabeth	2/2
Mr. Chen Yuyu	2/2
Mr. Shen Haipeng	2/2
Mr. Song Yunfeng	2/2

The combination of executive Directors and non-executive Directors in the Board of Directors is balanced, so that the Board of Directors maintains independence and can make effective independent judgments. The functions of the non-executive Directors include: (i) participating in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; (ii) taking the lead where potential conflicts of interests arise; (iii) being invited to serve as members of the Audit Committee, the Remuneration Committee, and the Nomination Committee; and (iv) scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

When a Director is connected to companies involved in a resolution of the Board meeting and has a material interest in a resolution or there are other circumstances stipulated by laws, such Director shall abstain from voting on the resolution and shall not exercise the voting rights on behalf of other Directors. When calculating the quorum of Directors present at the meeting, such Director shall not be counted.

BOARD COMMITTEES

The Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these committees has specific written terms of reference which clarifies their powers and duties. The chairpersons of these committees will report their findings and recommendations to the Board after each meeting.

1. Audit Committee

The Board has established an audit committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision D.3 of the CG Code, and has adopted corresponding written terms of reference. The primary duties of the Audit Committee are to review, supervise and coordinate the external and internal audit process, propose the engagement or replacement of the external auditors, review the financial information and its disclosure as well as the internal control system of the Company, and other matters authorized by the Board. The Audit Committee currently consists of one non-executive Director (namely Mr. Wang Wenjin) and two independent non-executive Directors (namely Ms. Law Elizabeth and Mr. Chen Yuyu). The Audit Committee is currently chaired by Ms. Law Elizabeth, who possesses suitable professional qualifications.

The Audit Committee convened one meeting during the Reporting Period to review the interim financial report and significant issues on the financial reporting, operational and compliance controls, and reported the results of the review to the Board of Directors. The table below sets forth the details of the attendance at these meetings:

Name of committee member	**Number of meetings attended/ held during the Director's term of office**
Ms. Law Elizabeth *(Chairperson)*	1/1
Mr. Wang Wenjin	1/1
Mr. Chen Yuyu	1/1

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

The Audit Committee has reviewed the remuneration of the auditor for the year ended December 31, 2022 and has recommended the Board to re-appoint Ernst & Young as the auditor of the Company for the year ended December 31, 2023, subject to the approval by Shareholders at the annual general meeting.

The duties and priorities of the Audit Committee during the period from Listing Date to December 31, 2022 included, among others, the oversight of the Company's financial reporting system and internal risk management and control system, monitoring the integrity of the preparation of the Company's financial information (including interim and annual results of the Company), reviewing the Group's financial and accounting policies and practices and monitoring the effectiveness of the internal audit function. The Audit Committee also supervises and manages the relationship with the Group's external auditor, which covers reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process conducted in accordance with applicable standards.

2. Remuneration Committee

The Board has established a remuneration committee in compliance with Rules 3.25 and 3.26 of the Listing Rules and code provisions E.1.1 and E.1.5 of the CG Code, and has adopted corresponding written terms of reference. The primary responsibilities of the Remuneration Committee are to review and make recommendations to the Board regarding the annual performance of our Directors and senior management, the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, and other matters authorized by the Board. The Remuneration Committee currently consists of one executive Director (namely Mr. Zhu Baoquan) and two independent non-executive Directors (namely Mr. Shen Haipeng and Mr. Song Yunfeng). The Remuneration Committee is currently chaired by Mr. Song Yunfeng.

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

Name of committee member	**Number of meetings attended/ held during the Director's term of office**
Mr. Shen Haipeng *(Chairperson)*	1/1
Mr. Zhu Baoquan	1/1
Mr. Song Yunfeng	1/1

The duties and priorities of the Remuneration Committee during the Reporting Period include the following, among others: considering the remuneration packages of the Company's Directors, Supervisors and senior management and submitting them and making recommendations to the Board; approving the terms of the executive Directors' service contracts, and reviewing and approving material matters relating to share schemes during the financial year; considering the Terms of Reference of the Remuneration and Evaluation Committee and proposing amendments and submitting them to the Board for approval; as well as considering the appraisal criteria, performance evaluation procedures, remuneration and rewards and punishment policies for Directors and senior management members. The Remuneration Committee may also seek independent professional advice if necessary.

During the year ended December 31, 2022, the Remuneration Committee has reviewed and approved the matters concerning allowances of Directors and Supervisors and submitted them to the Board for further consideration.

Remuneration of Directors and senior management

Directors and members of senior management receive remuneration from the Company in the form of salaries, bonuses and other benefits in kind, such as contributions to pension schemes.

For the year ended December 31, 2022, the expenses incurred by the Company for Director's remuneration (including fees, salaries, contributions to pension schemes and social welfare, discretionary bonuses, housing and other allowances and other benefits in kind) were approximately RMB10.4 million.

For the year ended December 31, 2022, the expenses incurred by the Company for the remuneration of the five highest paid individuals (including Directors), which included fees, salaries, contributions to pension schemes and social welfare, discretionary bonuses, housing and other allowances and other benefits in kind, were approximately RMB18.4 million.

For the year ended December 31, 2022, a total of six Directors, including Mr. Zhu Baoquan, Mr. He Shuhua, Mr. Wang Wenjin, Mr. Zhang Xu, Mr. Sun Jia, and Mr. Zhou Qi, confirmed their waivers of Director's remuneration by submitting the "Confirmation Letter of Voluntary Waiver of Director's Remuneration" to the Company. The Board will review and determine the salaries and remuneration packages of Directors and senior management, and take the recommendations and advice from the Remuneration Committee on board. The Remuneration Committee will consider salaries paid by comparable companies, the time committed by Directors and their duties, as well as the Company's performance. No payment was made by the Company to any of our Directors or Supervisors as an inducement to join or join the Company or as compensation for loss of office during the Reporting Period. The remuneration plan of Directors will be proposed at the general meeting of the Company for further approval. For further details, please refer to the Company's announcements dated November 22, 2022.

For further details of Director's remuneration and data about the five highest paid individuals for the year ended December 31, 2022, please refer to notes 9 and 10 in Notes to the Consolidated Financial Statements.

In addition, in accordance with code provision E.1.5 of the CG Code, the annual remuneration ranges for the senior management members (other than Directors) during the year ended December 31, 2022 are as follows:

Remuneration range	**Head count**
HKD3 million to HKD3.5 million	3

3. Nomination Committee

The Board has established a nomination committee in compliance with code provision B.3 of the CG Code, and has adopted corresponding written terms of reference. The primary responsibilities of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and senior management, the related criteria and procedures of the appointment and other matters authorized by the Board. The Nomination Committee currently consists of one executive Director (Mr. Zhu Baoquan) and two independent non-executive Directors (Mr. Song Yunfeng and Mr. Chen Yuyu). The Nomination Committee is currently chaired by Mr. Zhu Baoquan.

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

Name of committee member	**Number of meeting attended/ held during the Director's term of office**
Mr. Zhu Baoquan *(Chairperson)*	1/1
Mr. Song Yunfeng	1/1
Mr. Chen Yuyu	1/1

As of December 31, 2022, the Nomination Committee convened one meeting to review the Company's nomination policy and to refine the specific considerations and process for the nomination of Directors in the nomination policy, forming the Implementation Guidelines for the Nomination of Directors to facilitate the nomination and selection of Director candidates of the Company.

Nomination policy

In the selection of Director candidates, the Nomination Committee shall take into account the relevant provisions of the Company Law of the PRC and the Listing Rules and other applicable laws and regulations; and the relevant provisions of the Company's internal governance documents, such as the Articles of Association, the Terms of Reference of the Nomination Committee and the Terms of Reference of the Remuneration and Evaluation Committee. In evaluating the Director candidates, the Nomination Committee shall consider the potential contributions that the candidates may bring to the Board in terms of qualification, talent, industry and professional experience, independence, age, cultural and educational background, racial and gender diversity, the needs of the Company and other relevant statutory requirements and provisions as amended from time to time. In addition, the Nomination Committee shall consider the following selection criteria and other factors it deems appropriate for a position in the Board: (i) adequate matching with Board characteristics; (ii) business experience and Board expertise and talent; (iii) time and efforts that can be devoted to the performance of Director's duties; (iv) having a thorough understanding of and interest in the Company's business and being proactive; (v) candidates should be persons of integrity, honesty, good reputation and high professional standing; (vi) independence; and (vii) other factors as the Nomination Committee may from time to time deem relevant and applicable.

If the Nomination Committee determines that the appointment of additional or alternate directors is necessary, it will identify suitable Director candidates through a number of channels, including but not limited to: Recommendations from Directors, Shareholders, management, the Company's consultants and external headhunting firms. After compiling a list of prospective candidates and conducting interviews, the Nomination Committee will prepare a list of shortlisted candidates and make recommendations for the Board's consideration based on other factors deemed appropriate by the selection criteria machine. The Board has the ultimate authority to determine and appoint the appropriate Director candidates.

Board diversity policy

The Group implements the board diversity policy as a key factor in achieving sustainable development. In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity in our Board. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contributions that the candidates will bring to our Board.

An analysis of the Board's current composition based on the measurable objectives is set out below:

1. Gender

Gender group	Male	Female
Number of Directors	10	1

2. Age

Age group	50 and below	51-55	55-60	Above 60
Number of Directors	6	2	2	1

3. Length of service of Directors

Length of service	Less than 1 year	1-3 years	3-10 years	More than 10 years
Number of Directors	4	0	6	1

4. Professional qualifications and industry experience

Directors	Role	Professional qualifications and industry experience
Mr. Zhu Baoquan	Executive Director	Property management, business administration, corporate governance, investment and financing, capital operation
Mr. He Shuhua	Executive Director	Property management, business administration, corporate governance
Mr. Wang Wenjin	Non-executive Director	Real estate development and sales, investment and financing, capital operation, financial accounting
Mr. Zhang Xu	Non-executive Director	Real estate development and sales, investment and financing, capital operation
Mr. Sun Jia	Non-executive Director	Real estate development and sales, investment and financing, capital operation
Mr. Zhou Qi	Non-executive Director	Investment and financing, capital operation
Mr. Yao Jinbo	Non-executive Director	Information technology, investment and financing
Ms. Law Elizabeth	Independent Non-executive Director	Expert in the financial accounting field
Mr. Chen Yuyu	Independent Non-executive Director	Expert in the economics field
Mr. Shen Haipeng	Independent Non-executive Director	Expert in the business management field
Mr. Song Yunfeng	Independent Non-executive Director	Expert in the legal field

The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, human resources, information technology, accounting and financial management, risk management and corporate governance. They obtained degrees in various majors including economics, business administration and accounting. The Board has three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Furthermore, the Board has one female member. Taking into account our existing business model and specific needs as well as the different background of the Directors, the composition of our Board satisfies our Board Diversity Policy.

Our Nomination Committee is responsible for reviewing the diversity of the Board and will supervise and evaluate the implementation of the Board Diversity Policy annually to ensure its continued effectiveness and to make recommendations to the Board, where appropriate, on changes to ensure the Board maintains a balanced and diverse composition, and the Company will disclose in its corporate governance report about the implement of the Board Diversity Policy on an annual basis.

4. Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code. Pursuant to code provision B.2.1 of the Corporate Governance Code, the Company has formulated internal policies and mechanisms (including but not limited to the Articles of Association, Directors' Nomination Policy, Terms of Reference of the Remuneration and Nomination Committee) to ensure that the Board has access to independent views and opinions. These policies and mechanisms cover the Company's selection criteria, election and appointment procedures for Directors (including independent non-executive Directors), the recusal mechanism for Directors to vote on relevant proposals to be considered by the Board, and the Directors are entitled to seek independent professional advice according to the Company's policies to perform their duties when necessary. In addition, the Board comprises four independent non-executive Directors, who play important roles in the Board by virtue of their independent background, judgment and views. The Company will review the implementation and effectiveness of the above mechanisms annually to ensure that the Board has access to independent views and opinions.

During the year ended December 31, 2022, the Board held one meeting to review the corporate governance policies and practices of the Company, the training and continuous professional development of Directors and senior management of the Company, the policies and practices of the Company in compliance with laws and regulations, the compliance of Model Code, and the compliance with the Corporate Governance Code by the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by the Directors and Supervisors. The Directors and Supervisors have confirmed compliance with the required standard set out in the Model Code since the listing of the Company on the Listing Date up to the date of this annual report. From the Listing Date up to the date of this report, no incident of non-compliance of the Model Code by the employees was noted by the Company.

AUDITOR'S REMUNERATION

For the year ended December 31, 2022, the fees paid/payable to the external auditor of the Company in respect of audit services and non-audit services is set out as follows:

	Year ended December 31, 2022 RMB million
Audit and related service	
Annual audit and other services	5.6
Audit service for listing	17.5
Non-audit service	5.1

THE RESPONSIBILITY STATEMENT OF THE DIRECTORS ON FINANCIAL STATEMENTS

The responsibility statement of the Directors on financial statements below shall be read in conjunction with that of the auditor included in the independent auditor's report in this annual report, while both statements shall be comprehended separately.

The Directors acknowledge their responsibility for preparing the financial statements for each financial year that give a true reflection of the operating results of the Company. To the knowledge of the Directors, during the Reporting Period, there were no material events or circumstances which would have a material adverse effect on the operations of the Company as a going concern.

CORPORATE GOVERNANCE REPORT

The Directors are aware of their responsibility for preparing all data and statements contained in the consolidated financial statements of the Company for the year ended December 31, 2022 that give true and fair opinions on the position, performance and cash flows of the Company for the relevant period. The Directors believe that the consolidated financial statements of the Company for the year ended December 31, 2022 have been prepared in accordance with all applicable accounting standards and regulations and the amounts reflect the best estimates and reasonable, informed and prudent judgment of the Board of Directors and management. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis. The statements of the auditor's responsibility for reporting the consolidated financial statements of the Company are set out in the section headed "Independent Auditor's Report" in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has formulated its internal control management system in accordance with the Listing Rules, the Enterprise Internal Control Regulatory Systems and the COSO Internal Control Framework to better improve the governance structure of the Company, strengthen and standardize the internal control and management, guarantee the legitimacy and compliance of the Company's operation and management, the safety of capital and assets, the authenticity and integrity of financial reports and relevant information, improve operational efficiency and effectiveness, and respond to the changes in the external environment so as to facilitate the realization of development strategies. The Company's internal control is a process implemented by the management and all employees of the Company to achieve control objectives. It is closely aligned with strategic objectives, adapts to changes and fully identifies risks, and has a certain level of management. The Company has established a self-circulation closed-loop management supervision mechanism, accurately attributing to responsible person at all levels and tracking improvement management. It provides training and consultation for the Company's internal control activities, supports process control improvement, organizes self-inspection and overall internal control assessments.

The Board is responsible for the establish sound and effective implementation of the Company's internal control and risk management functions to ensure that the Company establishes and maintains effective risk management and internal control systems, covering all key monitoring aspects of the Company, including financial, operational and compliance monitoring, and to continuously monitor the Company's overall risks (including environmental, social and governance risks), scope, quality and procedures of risk management and internal monitoring. During the Reporting Period, the Board reviewed the risk management and internal monitoring systems and considered them to be adequate and effective, with no material monitoring failures or significant monitoring weaknesses identified. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee is responsible for overseeing the design of the Company's risk management and internal control systems on an ongoing basis, directing and coordinating internal audits and other related matters, etc. It also evaluates the effectiveness of the Company's risk management and internal monitoring by reviewing the inspection report on the effectiveness of the risk management and internal control issued by the Company annually.

The Board of Supervisors oversees the establishment and implementation of internal controls by the Board.

The management is responsible for organizing and leading the day-to-day operation of the internal controls within the enterprise.

The Risk Management and Internal Control Report for the current year has been submitted to the Audit Committee for consideration and reviewed by the Board through the Audit Committee.

In accordance with the criteria for identifying internal control defects in financial reporting and non-financial reporting as set out in the Risk Management and Internal Control Report, the Board considers that there are no material or significant internal control defects in the Company during the Reporting Period. As of December 31, 2022, the Company's risk management and internal control systems are basically sound, and no defects or abnormal events that have a significant impact on corporate governance, operation management and development have been found.

The Board also confirms that the Company's risk management and internal control systems have sufficient voluntary, professional and experienced staff in accounting, internal audit and financial reporting functions, as well as the training courses received by the staff and the relevant budgets are sufficient.

Business Ethics

The Group has always adhered to the "Positivity" corporate culture. During the year ended December 31, 2022, the Group has adopted the Whistle-blowing Policy to provide channels and guidelines for reporting possible irregularities, malpractice, and corruption relating to the matters of the Group and guaranteed to the whistleblower or entity (whistleblower) that the Group would protect whistleblowers from dismissal, persecution or any form of retaliation for making any true and sincere reports under the Policy.

During the year ended December 31, 2022, the Group has adopted the Anti-Corruption Policy to ensure that relevant employees maintain simplicity, openness and transparency in all business transactions, and establish a clean and win-win cooperative relationship with partners.

Information Disclosure

In order to regulate the Company's information disclosure practices, strengthen the management of information disclosure matters and protect the legitimate interests of investors, the Company has formulated the Information Disclosure System in accordance with the Listing Rules, the Securities and Futures Ordinance, the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission of Hong Kong ("**SFC**") and other applicable laws and regulations, which it sets out the procedures for the timely processing and release of the Company's periodic reports (including annual and interim reports), interim reports (announcements and disclosures other than periodic reports made by the Company in accordance with the relevant laws and regulations, including notifiable transactions, inside information, etc.), and the management of information disclosure to keep stakeholders informed of the Company's latest position. The Board regularly reviews the framework and its effectiveness.

Internal Audit

The Board is responsible for the establishment, integrity and effective implementation of the Company's internal control and risk management functions. The Audit Committee is established under the Board to oversee the risk management and internal control systems of the Company on an ongoing basis, assess the effective implementation of internal controls and self-evaluation of internal controls, provide guidance and coordination on internal audit and other related matters, etc. The Supervisory Committee oversees the establishment and implementation of internal controls by the Board. The management is responsible for organizing and leading the day-to-day operation of the internal controls of the Company.

The Company has set up an internal audit department to evaluate the efficiency and effect of internal control design and implementation by conducting comprehensive audits, special audits or special investigations, and to supervise and inspect the effectiveness of the Company's internal control design and implementation, and promote the continuous improvement and enhancement of the Company's internal control work quality. For internal control deficiencies identified in audits or investigations, the internal audit department shall report to the Board of Supervisors, Audit Committee or senior management according to the severity of the issues, and urge relevant departments to take active measures to rectify.

The Board, through the Audit Committee, has annually reviewed the overall effectiveness of the Group's risk management and internal control systems and confirmed that the Company's risk management and internal control systems are generally sound, effective and adequate for the year and no deficiencies and anomalies have been identified that have a significant impact on the governance, operation, management and development of the Company.

JOINT COMPANY SECRETARIES

Mr. Huang Min and Ms. Ng Wai Kam have been appointed as the Company's joint company secretaries. Ms. Ng Wai Kam is currently a senior manager of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Mr. Huang Min, has been designated as the primary contact person at the Company which would work and communicate with Ms. Ng on the Company's corporate governance and secretarial and administrative matters.

For the year ended December 31, 2022, Mr. Huang Min and Ms. Ng Wai Kam have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS

Communication with Shareholders and Investors

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

Annual general meeting of the Company serves as an effective platform for communication between the Shareholders and the Board. As one of the measures to safeguard the Shareholders' interests and rights, resolutions will be proposed at general meetings on each substantial matters, including the election of individual Directors, for Shareholders' consideration and voting. In addition, the Company regards annual general meeting as an important event, and all Directors, the chairpersons of all Board Committees, senior management and external auditor will attend the annual general meeting of the Company to address Shareholders' inquiries. If the chairman of the Board or the chairperson of each Board Committee fails to attend the meeting, then other members of each Board Committee will be invited to attend the annual general meeting and answer Shareholders' inquiries thereat. All resolutions proposed at general meetings will be voted by poll. The voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.onewo.com) on the same day of the relevant general meetings.

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

The Company has established various communication channels with its shareholders, including general meetings, annual and interim results, annual and interim reports, announcements and circulars and results announcements. In addition, the Company updates its website from time to time to provide shareholders with the latest information on recent developments of the Company.

During the Reporting Period, the Company has reviewed the timeliness of relevant disclosure information on the website of the Company and the Stock Exchange and confirmed that the Shareholder Communication Policy of the Company is effective. The Company will continue to monitor and update its Shareholder Communication Policy to ensure that Shareholders and the public have timely access to the Company's information.

Procedures for Shareholders to Convene an Extraordinary General Meeting

In accordance with article 80 of the articles of association of the Company, Shareholder(s) individually or jointly holding more than ten percent of the Company's total voting shares may sign one or more written requests in the same format requesting the Board of Directors to convene an extraordinary Shareholders' general meeting or a Shareholders' class meeting and stating the matters to be considered at the meeting. The Board of Directors shall convene an extraordinary Shareholders' general meeting or a Shareholders' class meeting as soon as possible after receipt of the aforesaid written request. The abovementioned shareholding shall be calculated as of the day on which the written request is made. If the Board of Directors fails to issue a notice of convening such meeting within 30 days after the receipt of the above written request, Shareholder(s) who made such request may convene the meeting of their own accord within four months upon the Board of Directors having received such request. The convening procedures shall, to the greatest extent possible, be identical to procedures according to which general meetings are to be convened by the Board of Directors. Where shareholders convene and preside over a meeting by themselves as the Board fails to convene the meeting pursuant to the aforesaid request, the reasonable expenses incurred therefrom shall be borne by the Company and deducted from the amounts payable by the Company to the defaulting Directors.

Procedures for Putting Forward Proposals at General Meetings

Shareholders, who individually or jointly hold more than three percent of the shares of the Company, shall be entitled to submit ad hoc proposals in writing to the convener ten days before the convening of the shareholders' general meeting. The convener shall issue a supplemental notice of the shareholders' general meeting within two days after the receipt of the proposals. The Company shall include matters as proposed in the proposals that are within the scope of authority of the shareholders' general meeting in the agenda of such meeting, and announce the content of the ad hoc proposals.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations, whose contact details are as follows:

Address: 1806-1807, 18/F, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong
Email: ir@onewo.com

AMENDMENT TO ARTICLES OF ASSOCIATION

To reflect the changes in the registered capital and the total number of issued shares of the Company after the completion of the Global Offering and the partial exercise of the Over-allotment Option, pursuant to the authorization granted by the second extraordinary shareholders' general meeting held on March 2, 2022 and further authorization granted by the Board of Directors at the 13th meeting of the 2nd session of the Board, the Company has amended the Articles of Association in relation to the registered capital and the total number of issued shares, with the amended Articles of Association being effective on November 17, 2022. For details of the amendment to the Articles of Association, please refer to the Company's announcement dated November 24, 2022. Save as disclosed above, there were no changes to the Articles of Association of the Company during the Reporting Period.

On behalf of the Board
Onewo Inc.
Zhu Baoquan
Chairman, executive Director and general manager

Shenzhen, the PRC, April 26, 2023

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To the shareholders of Onewo Inc.
A joint stock company incorporated in the People's Republic of China with limited liability

OPINION

We have audited the consolidated financial statements of Onewo Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 107 to 212, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of the expected credit losses of trade and retention receivables	
The gross balance of trade and retention receivables as at 31 December 2022 amounted to RMB6,503,767,000, against which an allowance for impairment amounting to RMB225,864,000 was made. Management assessed the expected credit losses of trade and retention receivables based on expected credit loss rates. Factors that management considers in making the assessment of expected credit losses include the Group's collection history, aging profile of the receivables, available information concerning the creditworthiness of customers, existing economic and industry conditions as well as forward looking information at the end of the year. We considered this area a key audit matter due to the significance of the balance to the consolidated financial statements and the assessment of the expected credit losses on trade and retention receivables involved significant estimates made by management. The accounting policies and disclosures are included in notes 3, 23 and 38 to the consolidated financial statements.	Our audit procedures in relation to the assessment of the expected credit losses of the trade and retention receivables included: • Understood, evaluated and tested management's key controls in relation to the assessment of the expected credit losses of trade and retention receivables. • Obtained the impairment assessments of trade and retention receivables prepared by management to understand the credit loss provisioning methodology adopted by the Group. • Assessed the estimated credit loss rates by considering historical cash collection and movements of the ageing of trade and retention receivables, the market conditions and forward-looking factors. • Checked the mathematical accuracy of the calculation of the provision for loss allowance. • Tested, on a sample basis, the accuracy of ageing analysis of receivables prepared by management. • Examined, on a sample basis, the subsequent settlement of the receivables to cash receipts and the related supporting documentation. • Checked the disclosures in the consolidated financial statements in connection with the impairment of trade and retention receivable.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill As at 31 December 2022, the Group had goodwill of RMB3,700,222,000, which accounted for approximately 10% of the total assets of the Group. For the purposes of impairment assessment of goodwill, management considered each of the acquired companies as a separate group of cash-generated units ("CGU"). Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This requires an estimation of the value-in-use of the cash-generating units. Significant judgments and estimates were involved in the impairment assessment of goodwill. These significant judgments and estimates include the adoption of appropriate model and methodology to perform impairment assessment of goodwill and the use of key assumptions in the value-in-use calculation, which primarily include annual revenue growth rates, long-term growth rate and pre-tax discount rates. We considered this area a key audit matter due to the significance of the goodwill balance and the significant judgments and estimates made by management in the impairment assessment of goodwill. The accounting policies and disclosures are included in notes 3 and 17 to the consolidated financial statements.	Our audit procedures in relation to the impairment assessment of goodwill included: • Obtained an understanding of management's assessment process of goodwill impairment. • Assessed the appropriateness of the Group's identification of the CGU based on the Group's accounting policies and our understanding of the Group's business. • Obtained management's assessment on goodwill impairment and evaluated the model and methodology adopted by management to perform goodwill impairment assessment and the key assumptions used by management, with the involvement of our inhouse valuation experts. • Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process. • Checked the mathematical accuracy of the calculations of the goodwill impairment assessment. • Checked the disclosures in the consolidated financial statements in connection with impairment assessment of goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Law Kwok Kee.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**30,105,803**	23,704,539
Cost of sales		**(25,875,053)**	(19,684,527)
Gross profit		**4,230,750**	4,020,012
Other income and gains, net	6	**570,614**	394,368
Selling and distribution expenses		**(450,316)**	(257,152)
Administrative expenses		**(2,153,461)**	(1,791,847)
Impairment losses on financial assets, net		**(156,037)**	(68,669)
Finance costs	7	**(11,228)**	(10,207)
Share of profits and losses of joint ventures and associates		**(9,549)**	33,504
PROFIT BEFORE TAX	8	**2,020,773**	2,320,009
Income tax expense	11	**(434,678)**	(605,718)
PROFIT FOR THE YEAR		**1,586,095**	1,714,291
Attributable to:			
Owners of the parent		**1,510,490**	1,667,642
Non-controlling interests		**75,605**	46,649
		1,586,095	1,714,291
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT, IN RMB			
Basic and diluted	13	**1.40**	1.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR		**1,586,095**	1,714,291
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive income/(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	29	**11,759**	–
Reclassification adjustments for gains included in the consolidated statement of profit or loss	29	**(11,759)**	–
Income tax effect	29	**–**	–
		–	–
Exchange differences:			
Exchange differences on translation of foreign operations		**355**	(1,246)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**355**	(1,246)
Other comprehensive (loss)/income 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		**(586,631)**	479,023
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(586,631)**	479,023
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(586,276)**	477,777
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**999,819**	2,192,068
Attributable to:			
Owners of the parent		**924,214**	2,145,419
Non-controlling interests		**75,605**	46,649
		999,819	2,192,068

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**666,151**	500,639
Investment properties	*15*	**579,912**	657,110
Right-of-use assets	*16*	**231,058**	253,086
Intangible assets	*17*	**8,506,987**	8,244,089
Investments in joint ventures and associates	*18*	**1,739,177**	1,813,232
Equity investments designated at fair value through other comprehensive income	*19*	**910,830**	1,497,461
Financial assets at fair value through profit or loss	*20*	**976**	976
Deferred tax assets	*21*	**97,139**	56,807
Prepayments, deposits and other receivables	*24*	**2,388,804**	1,992,483
Total non-current assets		**15,121,034**	15,015,883
CURRENT ASSETS			
Inventories	*22*	**69,950**	261,296
Trade and retention receivables	*23*	**6,277,903**	4,514,273
Prepayments, deposits and other receivables	*24*	**1,697,854**	1,697,630
Financial assets at fair value through profit or loss	*20*	**–**	3,664
Restricted bank deposits	*25*	**376,188**	305,250
Time deposits with original maturity of over three months	*25*	**21,830**	495,713
Cash and cash equivalents	*25*	**13,345,063**	6,430,557
Total current assets		**21,788,788**	13,708,383
CURRENT LIABILITIES			
Trade and notes payables	*26*	**5,319,717**	3,243,250
Financial liabilities at fair value through profit or loss		**191,792**	191,792
Contract liabilities	*27*	**4,514,977**	4,167,711
Other payables and accruals	*28*	**6,839,543**	7,821,982
Interest-bearing bank borrowings		**–**	11,500
Lease liabilities	*16*	**109,438**	100,938
Tax payable		**738,077**	744,715
Total current liabilities		**17,713,544**	16,281,888
NET CURRENT ASSETS/(LIABILITIES)		**4,075,244**	(2,573,505)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,196,278**	12,442,378
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**–**	4,087
Other payables and accruals	*28*	**963,769**	815,539
Provision	*30*	**117,283**	72,874
Lease liabilities	*16*	**124,106**	149,609
Deferred tax liabilities	*21*	**990,138**	1,087,691
Total non-current liabilities		**2,195,296**	2,129,800
Net assets		**17,000,982**	10,312,578
EQUITY			
Equity attributable to owners of the parent			
Share capital	*31*	**1,178,469**	1,050,420
Other reserves	*32*	**15,281,240**	8,843,025
		16,459,709	9,893,445
Non-controlling interests		**541,273**	419,133
Total equity		**17,000,982**	10,312,578

Zhu Baoquan
Director

He Shuhua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital RMB'000 *(Note 31)*	Capital reserve RMB'000 *(Note 32)*	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 *(Note 32)*	Exchange fluctuation reserve RMB'000 *(Note 32)*	Statutory surplus reserve RMB'000 *(Note 32)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	1,000,000	2,408,435	(217,685)	2,392	325,298	2,736,574	6,255,014	309,576	6,564,590
Profit for the year	–	–	–	–	–	1,667,642	1,667,642	46,649	1,714,291
Other comprehensive income for the year:									
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	479,023	–	–	–	479,023	–	479,023
Exchange differences on translation of foreign operations	–	–	–	(1,246)	–	–	(1,246)	–	(1,246)
Total comprehensive income/(loss) for the year	–	–	479,023	(1,246)	–	1,667,642	2,145,419	46,649	2,192,068
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	(26,850)	(26,850)
Dividends declared	–	–	–	–	–	(3,537,000)	(3,537,000)	–	(3,537,000)
Issue of shares	50,420	4,980,261	–	–	–	–	5,030,681	–	5,030,681
Transferred from retained earnings	–	–	–	–	199,912	(199,912)	–	–	–
Partial disposal of subsidiaries and acquisition of subsidiaries	–	–	–	–	–	–	–	96,263	96,263
Acquisition of non-controlling interests	–	(669)	–	–	–	–	(669)	(6,505)	(7,174)
At 31 December 2021	1,050,420	7,388,027	261,338	1,146	525,210	667,304	9,893,445	419,133	10,312,578

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital RMB'000 *(Note 31)*	Capital reserve RMB'000 *(Note 32)*	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 *(Note 32)*	Exchange fluctuation reserve RMB'000 *(Note 32)*	Statutory surplus reserve RMB'000 *(Note 32)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	1,050,420	7,388,027	261,338	1,146	525,210	667,304	9,893,445	419,133	10,312,578
Profit for the year	–	–	–	–	–	1,510,490	1,510,490	75,605	1,586,095
Other comprehensive income for the year:									
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(586,631)	–	–	–	(586,631)	–	(586,631)
Exchange differences on translation of foreign operations	–	–	–	355	–	–	355	–	355
Total comprehensive (loss)/income for the year	–	–	(586,631)	355	–	1,510,490	924,214	75,605	999,819
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	(16,346)	(16,346)
Issue of shares	128,049	5,599,585	–	–	–	–	5,727,634	–	5,727,634
Share issue expenses	–	(105,987)	–	–	–	–	(105,987)	–	(105,987)
Transferred from retained earnings	–	–	–	–	70,967	(70,967)	–	–	–
Partial disposal of subsidiaries and acquisition of subsidiaries	–	36,504	–	–	–	–	36,504	65,979	102,483
Acquisition of non-controlling interests	–	(16,101)	–	–	–	–	(16,101)	(3,098)	(19,199)
At 31 December 2022	1,178,469	12,902,028*	(325,293)*	1,501*	596,177*	2,106,827*	16,459,709	541,273	17,000,982

* These reserve accounts comprise the consolidated other reserves of RMB15,281,240,000 (2021: RMB8,843,025,000) in the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,020,773**	2,320,009
Adjustments for:			
Depreciation and amortisation	*8*	**854,702**	395,304
Gain on disposal of items of property, plant and equipment and investment properties		**(22,502)**	(79,263)
Fair value gains or losses on financial assets at fair value through profit or loss	*6*	**(9,589)**	(50,389)
Impairment losses on trade and retention receivables, net	*8,23*	**91,001**	6,847
Impairment losses on prepayments, deposits and other receivables, net	*8,24*	**65,036**	61,822
Gain on disposal of equity interests		**(30,957)**	(26)
Gain on remeasurement of the previously held interest in an associate	*6*	**(215,563)**	–
Share of profits and losses of joint ventures and associates	*18*	**9,549**	(33,504)
Interest income	*6*	**(46,068)**	(85,189)
Finance costs	*7*	**11,228**	10,207
Gain on cash flow hedge (transfer from equity)	*6*	**(11,759)**	–
Net foreign exchange differences		**(11,774)**	(81)
		2,704,077	2,545,737
Decrease in inventories		**191,346**	69,698
Increase in trade and retention receivables		**(1,875,419)**	(731,166)
(Increase)/decrease in prepayments, deposits and other receivables		**(493,063)**	34,559
Increase in trade and notes payables		**1,968,201**	390,813
Increase in other payables and accruals		**401,673**	733,317
Increase in contract liabilities		**350,559**	262,434
Increase in provision		**44,409**	24,525
		3,291,783	3,329,917
Tax paid		**(535,468)**	(496,306)
Net cash flows from operating activities		**2,756,315**	2,833,611

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**14,116**	25,154
Purchase of items of property, plant and equipment		**(217,934)**	(228,306)
Proceeds from disposal of investment properties		**105,907**	260,690
Purchase of investment properties		**(84,360)**	(9,869)
Purchase of intangible assets		**(240,660)**	(46,640)
Deposits for acquisition of subsidiaries		**–**	(3,000,000)
Deposits received		**–**	3,000,000
Purchase of shareholding in joint ventures and associates		**(20,360)**	(113,213)
Dividends received from joint ventures and associates		**15,876**	47,130
Proceeds from disposal of joint ventures and associates		**78,343**	–
Acquisition of subsidiaries, net of cash acquired		**–**	(1,434,289)
Step acquisition of a subsidiary	*33*	**(190,907)**	–
Disposal of subsidiaries		**(5,368)**	–
Receipt from wealth management products		**13,253**	725,966
Interest received		**46,068**	85,189
Increase in pledged deposits		**(24,347)**	(16,485)
Decrease in time deposits with original maturity of over three months	*25*	**473,883**	1,223,600
Net cash flows (used in)/from investing activities		**(36,490)**	518,927
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**5,727,634**	–
Proceeds from cash flow hedge		**11,759**	–
Share issue expenses paid		**(97,171)**	–
Disposal of non-controlling interests		**16,322**	68,325
Acquisition of non-controlling interests		**(19,199)**	(7,174)
Repayment of bank loans		**(15,577)**	(18,402)
Interest paid		**(625)**	(351)
Dividends paid		**(1,294,001)**	(2,242,999)
Dividends paid to non-controlling shareholders		**(16,346)**	(26,850)
Interest element of lease rentals paid		**(10,603)**	(9,856)
Capital element of lease rentals paid		**(119,276)**	(81,996)
Net cash flows from/(used in) financing activities		**4,182,917**	(2,319,303)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,902,742**	1,033,235

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash and cash equivalents at beginning of year		**6,430,557**	5,397,646
Effect of foreign exchange rate changes, net		**11,764**	(324)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**13,345,063**	6,430,557
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	*25*	**13,345,063**	6,430,557

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 and its shares are listed on Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries

The following is a list of principal subsidiaries, all of these are limited liability companies:

Company name	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company	Principal activities
深圳市萬科物業服務有限公司	PRC/Mainland China	RMB 50,000,000	100	Property management
天津萬科物業服務有限公司	PRC/Mainland China	RMB 10,000,000	100	Property management
武漢市萬科物業服務有限公司	PRC/Mainland China	RMB 12,000,000	100	Property management
上海萬科物業服務有限公司	PRC/Mainland China	RMB 12,260,000	100	Property management
瀋陽萬科物業服務有限公司	PRC/Mainland China	RMB 10,000,000	100	Property management
浙江耀江物業管理有限公司	PRC/Mainland China	RMB 50,800,000	65	Property management
北京戴德梁行物業管理有限公司	PRC/Mainland China	RMB 50,000,000	65	Property management
北京萬科物業服務有限公司	PRC/Mainland China	RMB 50,000,000	100	Property management
深圳萬物商企物業服務有限公司	PRC/Mainland China	RMB 50,000,000	65	Property management

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company	Principal activities
戴德梁行物業諮詢(上海)有限公司	PRC/Mainland China	USD 5,800,000	65	Property management
成都萬科物業服務有限公司	PRC/Mainland China	RMB 100,000,000	100	Property management
長春萬科物業服務有限公司	PRC/Mainland China	RMB 20,000,000	100	Property management
江蘇蘇南萬科物業服務有限公司	PRC/Mainland China	RMB 10,580,000	100	Property management
廣州市萬科物業服務有限公司	PRC/Mainland China	RMB 5,000,000	100	Property management
東莞市萬科物業服務有限公司	PRC/Mainland China	RMB 5,000,000	100	Property management
廈門市萬科物業服務有限公司	PRC/Mainland China	RMB 20,010,000	100	Property management
杭州萬科物業服務有限公司	PRC/Mainland China	RMB 100,000,000	100	Property management
南京萬科物業管理有限公司	PRC/Mainland China	RMB 12,000,000	100	Property management
深圳市譽鷹物業服務有限公司	PRC/Mainland China	RMB 100,000,000	100	Property management

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company	Principal activities
北京萬物商企物業服務有限公司	PRC/Mainland China	RMB 50,000,000	65	Property management
深圳市萬科物業控股有限公司	PRC/Mainland China	RMB 217,293,558	100	Property management
浙江大管家物業管理服務有限公司	PRC/Mainland China	RMB 20,280,000	51	Property management
萬科物業服務(香港)有限公司	Hong Kong	HK$10,000	100	Property management
深圳市機場物業服務有限公司	PRC/Mainland China	RMB 12,820,500	61	Property management
深圳市萬物為家控股有限公司	PRC/Mainland China	RMB 5,000,000	100	Property management
海南譽鷹管理服務有限公司	PRC/Mainland China	RMB 5,000,000	100	Property management
上海譽盛物業服務有限公司	PRC/Mainland China	RMB 1,000,000	100	Property management
上海陽光智博生活服務集團有限公司	PRC/Mainland China	RMB 212,500,000	100	Property management
福建伯恩物業集團有限公司	PRC/Mainland China	RMB 62,100,000	100	Property management
深圳萬科祥盈管理服務有限公司	PRC/Mainland China	RMB 10,000,000	100	Enterprise service

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company	Principal activities
深圳市萬睿智能科技有限公司	PRC/Mainland China	RMB 100,000,000	100	Intelligent engineering
深圳市萬物成長諮詢服務有限公司	PRC/Mainland China	RMB 10,000,000	100	Investment management
深圳市樸寓不動產服務有限公司	PRC/Mainland China	RMB 3,000,000	100	Real estate brokerage
深圳市樸韻繕新科技服務有限公司	PRC/Mainland China	RMB 3,000,000	100	Home decoration and renovation
深圳市第五空間網絡科技有限公司(1)	PRC/Mainland China	RMB 1,000,000	45	IT service
深圳市萬物雲科技有限公司	PRC/Mainland China	RMB 1,000,000,000	100	IT service
珠海市萬物雲科技有限公司	PRC/Mainland China	RMB 10,000,000	100	IT service
深圳市萬物共贏投資有限公司	PRC/Mainland China	RMB 30,000,000	100	Industrial investment
深圳市萬物空間科技有限公司	PRC/Mainland China	RMB 5,000,000	100	Public facility management
深圳市萬物雲城空間運營管理有限公司	PRC/Mainland China	RMB 50,000,000	100	Public facility management

(1) The Group considers that it controls this company even though it owns less than 50% of the equity interest. This is because the Group could control over the board of directors and the financial and operating policies of this company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IFRS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IFRS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

The revised standards have had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendments to IFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1] *(the "2020 Amendments")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

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

3 No mandatory effective date is determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong *Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards are unlikely to have significant effect on the Group's financial performance and financial position, except for the amendments to IAS 12.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 12 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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has 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. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to IAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB52,641,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB52,641,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 January 2022.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial liability at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value-in-use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

a) the party is a person or a close member of that person's family and that person

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

b) the party is an entity where any of the following conditions applies:

i) the entity and the Group are members of the same group;

ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

iii) the entity and the Group are joint ventures of the same third party;

iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over 1.37%
Machinery and motor vehicles	4.80% to 19.20%
Electronic and other equipment	19.20% to 32.00%
Leasehold improvements	Over the shorter of relevant lease term and 20.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided using the straight-line method to write off the cost of the investment properties over the estimated useful lives. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the period in which the item is derecognised.

Intangible assets (other than goodwill)

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. The customer relationship has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of the customer relationship, which is 10 years. The expected useful life is primarily related to property service contracts, and is determined based on management's best estimate of the total period from which the benefits will be derived from the customer relationship and will reflect the consumption of future economic benefits from the customer relationship, taking into account: 1) the typical term of the property service contracts, 2) the historical track record of successful contract renewal. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1 to 15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment losses in accordance with the Group's policy for "Investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value. Lease payments on short-term leases and of low-value assets leases are recognised as expense on a straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and retention receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and retention receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and retention receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and retention receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and notes payables, other payables and accruals, financial liabilities at fair value through profit or loss and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

After initial recognition, trade and notes payables, interest-bearing bank borrowings, lease liabilities and other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including short term time deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the provision of smart property solutions services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or if it occurred outside the measurement period, it is recognised in profit or loss.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group provides community space living consumption services, commercial and urban space integrated services and AIoT and BPaaS solution services. Revenue from contracts with customers is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Community space living consumption services

Community space living consumption services comprise: (i) Residential property services; (ii) Home-related asset services; and (iii) Other community value-added services.

Residential property services primarily include cleaning services, security services, gardening services and repair and maintenance services to property owners, property owners' associations or residents for residential properties. For property services, revenue is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those services.

The Group charged property services fees in respect of the property services on a lump sum basis and on a management remuneration basis.

For property services income from properties managed on a lump sum basis, where the Group acts as the principal and is primarily responsible for providing the property services, the Group recognises the fee received or receivable from property developers, property owners and residents as its revenue and all the costs incurred in providing the residential property services as its cost of services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Community space living consumption services (continued)

For property service income of properties managed on a management remuneration basis, the Group acts as an agent and recognises the service income, which is calculated by reference to the total property management fee receivable from the property owners, as its revenue for arranging and monitoring the services provided by service suppliers to the property owners.

Home-related asset services mainly include home sale and rental brokerage services and home redecoration and furnishing services. Revenue from home sale and rental brokerage services is recognised at the point in time when the services are rendered and accepted by the customers. Revenue from home redecoration and furnishing service is recognised over time, in the amount the Group has a right to bill, because the customer simultaneously receives and consumes the benefits provided by the Group.

Other community value-added services mainly include commission income from carpark space sales assistance services, which are recognised on a net basis at point in time when the control of properties or the use rights of car park spaces are transferred to the customer.

Commercial and urban space integrated services

Commercial and urban space integrated services mainly include property and facility management services, value-added services for developers and urban space integrated services.

The Company offers comprehensive property and facility management services including (i) commercial property services which focus on tasks of the property management of commercial premises and (ii) integrated facility management services which focus on addressing the workplace needs arising from the non-core business processes of occupiers. The Group bills for services provided on a monthly basis and recognises it as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

Value-added services for developers mainly include (i) sales center and model room management; (ii) and pre-delivery support services; and (iii) building maintenance services. The Group agrees the price for each service with the property developers upfront and issues a monthly bill to the property developers which varies based on the actual level of service completed in that month. Revenue from value-added services is recognised over time in the amount to which the Group has a right to invoice, because the property developers simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

AIoT and BPaaS solution services

AIoT solutions mainly include smart property solutions.

Smart property solutions mainly include equipment, design, integration and construction which are highly interdependent and interrelated. The Group accounts for these goods and services as a single performance obligation. Revenue from smart property solutions is recognised over time, using an output method to measure progress towards the complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs and the Group has an enforceable right to payment for performance completed to date.

BPaaS solutions mainly include remote operation services.

The service fees are charged based on the nature of services the clients subscribe for as well as the number of service requests, which are generally payable on a monthly or quarterly basis. Revenue from BPaaS solutions is recognised overtime when such services are rendered.

Other income

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and retention receivables

The Group uses a provision matrix to calculate ECLs for trade and retention receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and retention receivables is disclosed in note 38 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Provision for ECLs on payments on behalf of property owners for properties managed on a management remuneration basis

Payments on behalf of property owners for properties managed on a management remuneration basis represent advances made to or operating costs paid on behalf of property owners for properties managed on a management remuneration basis. The ECL on these receivables is determined by the Group based on (i) the net present value of expected future cash flows of respective property management projects, which has included a number of estimations and inputs, such as estimated property management fee, estimated collection rates and estimated operating costs; (ii) past repayment history; and (iii) where material, adjusted for forward-looking factors specific to the respective property management projects and the economic environment.

The Group's estimation on expected future cash flows of the relevant property management projects and forecast of economic conditions may not be representative of the actual cash flows in the future and significant management estimates are required in the estimates. When the actual outcome of expectation in future is different from the original estimates, such differences will impact the carrying amount of payments on behalf of property owners for properties managed on a management remuneration basis and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs on these receivables is disclosed in note 24 to the financial statements.

Classification of car parking spaces between investment properties and inventories

The Group holds a certain amount of investment properties, which primarily consist of carpark spaces owned by the Group, which are mainly purchased from the controlling shareholder for earning rentals and/or capital appreciation. Judgement is made by management on determining whether a car parking space is designated as an investment property or an inventory. The Group considers its intention of holding the properties at the acquisition stage of the related car parking spaces for financial statement classification of these car parking spaces.

Car parking spaces intended to be held to earn rentals and/or for capital appreciation are accounted for as investment properties in non-current assets and measured initially at cost. Subsequent to initial recognition, these car parking spaces are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2022 was RMB3,700,222,000 (2021: RMB3,700,222,000). Further details are given in note 17.

Depreciation and amortisation

Depreciation and amortisation are calculated on the straight-line basis to write off the cost of each item of property, plant and equipment and intangible asset to its residual value over its estimated useful life. The estimated useful lives and dates that the Group places the items of property, plant and equipment into productive use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed depreciation allowances to the extent that it is probable that future taxable profits would be available against which the losses and other deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease.

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 was derived in the PRC during the reporting period.

As at 31 December 2022, 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

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Types of services		
Community space living consumption services	**16,583,191**	13,161,025
Commercial and urban space integrated services	**11,144,209**	8,693,128
AIoT and BPaaS solution services	**2,378,403**	1,850,386
Total revenue from contracts with customers	**30,105,803**	23,704,539
Timing of revenue recognition		
Services transferred at a point in time	**1,307,878**	1,457,963
Services transferred over time	**28,797,925**	22,246,576
Total revenue from contracts with customers	**30,105,803**	23,704,539

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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**4,167,711**	3,546,374

5. REVENUE (continued)

Performance obligations

For community space living consumption services (except for home sale and rental brokerage services, and carpark space sales assistance services) and commercial and urban space integrated services, the performance obligation is satisfied over time as services are rendered to customers. The Group bills the amount for services provided on monthly basis or pre-charges service fee on annual basis which will be paid shortly after invoice. The Group has elected the practical expedient as described in IFRS 15.121(b) for not to disclose the remaining performance obligations for these types of contracts.

For smart property solutions in AIoT solution services, the sale of equipment and installation services are highly interdependent, thus, customers cannot benefit from the equipment or installation services either on their own or together with other resources that are readily available to the customer. A bundle of sale of equipment and installation services is accounted for as a single performance obligation. The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

6. OTHER INCOME AND GAINS, NET

	Note	**2022 RMB'000**	2021 RMB'000
Interest income		**46,068**	85,189
Government grants*		**179,000**	172,090
Fair value gains on financial assets at fair value through profit or loss		**9,589**	50,389
Gain on disposal of items of investment properties**		**22,357**	80,852
Gain on disposal of joint ventures and associates		**31,856**	–
Gain on remeasurement of the previously held interest in an associate		**215,563**	–
Foreign exchange differences, net		**53,125**	(497)
Gain on cash flow hedge (transfer from equity)	*29*	**11,759**	–
Others		**1,297**	6,345
		570,614	394,368

* There are no unfulfilled conditions or contingencies relating to these grants.

** The Group's investment properties primarily consist of the use right of car parking spaces, which are mainly purchased from the controlling shareholder and leased to third parties.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank loans	**625**	351
Interest on lease liabilities	**10,603**	9,856
	11,228	10,207

8. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of services provided		**24,818,740**	18,713,553
Cost of inventories sold		**1,056,313**	970,974
Depreciation and amortisation*		**854,702**	395,304
Research and development costs		**412,459**	373,686
Lease payments not included in the measurement of lease liabilities	*16*	**65,663**	49,780
Auditors' remuneration		**3,491**	2,125
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**9,188,247**	7,160,261
Pension costs, housing funds, medical insurances and other social insurances**		**1,717,311**	1,290,701
		10,905,558	8,450,962
Impairment losses on financial assets, net:			
Impairment losses on trade and retention receivables, net	*23*	**91,001**	6,847
Impairment losses on financial assets included in prepayments, deposits and other receivables, net	*24*	**65,036**	61,822
		156,037	68,669
(Gain)/loss on disposal of items of property, plant and equipment		**(145)**	1,589
Loss/(gain) on disposal of subsidiaries		**899**	(26)

* The depreciation and amortisation included in the cost of service provided aggregated to RMB734,882,000 (2021: RMB309,578,000) for the year.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022					2021
	Directors'/ supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension costs, housing funds, medical insurances and other social insurances RMB'000	Total RMB'000	Total RMB'000
Chairman, executive director and general manager:						
Mr. Zhu Baoquan	–	1,093	5,648	96	6,837	12,496
Executive director:						
Mr. He Shuhua	–	729	2,527	96	3,352	3,676
Non-executive directors:						
Mr. Yao Jinbo	123	–	–	–	123	120
Mr. Wang Wenjin (b)	–	–	–	–	–	–
Mr. Zhang Xu (b)	–	–	–	–	–	–
Mr. Sun Jia (b)	–	–	–	–	–	–
Mr. Zhou Qi (b)	–	–	–	–	–	–
Independent non-executive directors: (a)						
Mr. Chen Yuyu	33	–	–	–	33	–
Ms. Law Elizabeth	33	–	–	–	33	–
Mr. Shen Haipeng	33	–	–	–	33	–
Mr. Song Yunfeng	33	–	–	–	33	–
Supervisors:						
Ms. Xiang Yun	–	588	–	–	588	605
Ms. Han Huihua (b)	–	–	–	–	–	–
Mr. Wu Jianxia	–	568	1,850	96	2,514	2,177
	255	2,978	10,025	288	13,546	19,074

There were no other emoluments payable to the directors during the year (2021: Nil).

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

In 2022, Mr. Chen Yuyu, Ms. Law Elizabeth, Mr. Shen Haipeng and Mr. Song Yunfeng were appointed as independent non-executive directors of the Company. There were emoluments payable of RMB132,000 to the independent non-executive directors during the year (2021: Nil).

(b) Executive, non-executive directors and supervisors

The emoluments of Mr. Wang Wenjin, Mr. Zhang Xu, Mr. Sun Jia, Mr. Zhou Qi and Ms. Han Huihua in relation to their services rendered for the Group during the year were borne by China Vanke and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: two directors), details of whose remuneration are set out in note 9 above. The remunerations of the remaining 3 individuals (2021: 3 individuals) for the year are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,993	2,201
Discretionary bonuses	5,895	7,451
Pension costs, housing funds, medical insurances and other social insurances	352	259
	8,240	9,911

10. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	2022	2021
HKD3,000,001 to HKD3,500,000	3	–
HKD3,500,001 to HKD4,000,000	–	2
HKD4,000,001 to HKD4,500,000	–	–
HKD4,500,001 to HKD5,000,000	–	1
	3	3

During the year, no highest paid employees waived or agreed to waive any remuneration.

11. 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 Mainland China current income tax was based on a statutory rate of 25% (2021: 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 are (i) 25% (2021: 25%), or (ii) 15% (2021: 15%) if qualified as high and new technology enterprises or registered in the western region, Shenzhen Qianhai region and Guangdong Hengqin region of the PRC.

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2021: 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.

11. INCOME TAX EXPENSE (continued)

The major components of income tax expenses are as follows:

	2022 **RMB'000**	2021 RMB'000
Current – PRC	**572,563**	616,529
Deferred tax (note 21)	**(137,885)**	(10,811)
Total tax charge for the year	**434,678**	605,718

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2022		2021	
	RMB'000	**%**	RMB'000	%
Profit before tax	**2,020,773**		2,320,009	
Tax at the statutory tax rate	**505,193**	**25.0**	580,002	25.0
Lower tax rate for specific provinces or enacted by local authority	**(74,447)**	**(3.7)**	(50,387)	(2.2)
Profits and losses attributable to joint ventures and associates	**2,387**	**0.1**	(8,376)	(0.4)
Super deduction for research and development expenses	**(44,817)**	**(2.2)**	(38,972)	(1.7)
Super deduction for property, plant and equipment	**(24,949)**	**(1.2)**	–	–
Income not subject to tax	**(56,752)**	**(2.8)**	–	–
Expenses not deductible for tax*	**71,997**	**3.5**	59,314	2.6
Tax losses utilised from previous periods	**(24,560)**	**(1.2)**	(11,993)	(0.5)
Tax losses and temporary difference not recognised	**80,626**	**4.0**	76,130	3.3
Tax charge at the effective rate	**434,678**	**21.5**	605,718	26.1

* The nature of "Expenses not deductible for tax" mainly represented certain impairment losses of prepayments, deposits and other receivables recognised, the welfare and entertainment expenses exceeding the tax deduction limits under EIT law and some miscellaneous non-deductible expenses incurred during the reporting period.

11. INCOME TAX EXPENSE (continued)

The share of tax attributable to associates and joint ventures amounting to RMB(2,387,000) (2021: RMB8,376,000), is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

The Group has elected to file combined tax return incorporating assessable profit and tax losses attributable to the Group as well as certain properties which are managed by the Group on management remuneration basis. As a result of such arrangement, the Group is able to temporarily utilise tax losses from managing properties, resulting in deferral of payment of certain provision. The utilisation of such tax losses from managing properties and the deferral of the Group's payment of EIT provision had no effect on the consolidated income statement during the reporting period. For financial accounting purposes, the Group has made relevant provision by debiting the income tax expense and crediting tax liabilities based on assessable profits at the applicable tax rates of their property management subsidiaries.

12. DIVIDENDS

In 2021, the Company declared a dividend in the amount of RMB3,537,000,000 to the shareholders, which had been fully settled during the year.

At a meeting held by the board on 27 March 2023, the board of directors recommended a final dividend of RMB0.241 per ordinary share (including tax) totalling RMB284,063,000 for the year ended 31 December 2022.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, 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 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022	2021
Earnings		
Profit attributable to the ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	1,510,490	1,667,642
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,082,207,650	1,013,261,151
Basic and diluted earnings per share (RMB)	1.40	1.65

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and motor vehicles RMB'000	Electronics and other equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	215,447	144,349	400,457	174,138	934,391
Accumulated depreciation	(34,860)	(67,048)	(226,738)	(105,106)	(433,752)
Net carrying amount	180,587	77,301	173,719	69,032	500,639
At 1 January 2022, net of accumulated depreciation	180,587	77,301	173,719	69,032	500,639
Additions	9,247	236,663	45,759	36,913	328,582
Depreciation provided during the year	(7,446)	(43,651)	(60,499)	(37,486)	(149,082)
Disposal of subsidiaries	–	–	(17)	–	(17)
Disposals	(8,745)	(2,072)	(3,154)	–	(13,971)
At 31 December 2022, net of accumulated depreciation	173,643	268,241	155,808	68,459	666,151
At 31 December 2022:					
Cost	212,005	373,062	431,674	211,051	1,227,792
Accumulated depreciation	(38,362)	(104,821)	(275,866)	(142,592)	(561,641)
Net carrying amount	173,643	268,241	155,808	68,459	666,151

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Machinery and motor vehicles RMB'000	Electronics and other equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021:					
Cost	151,972	98,641	279,211	132,956	662,780
Accumulated depreciation	(31,138)	(47,755)	(144,892)	(81,388)	(305,173)
Net carrying amount	120,834	50,886	134,319	51,568	357,607
At 1 January 2021, net of accumulated depreciation	120,834	50,886	134,319	51,568	357,607
Additions	58,638	30,967	111,430	27,271	228,306
Acquisition of subsidiaries	4,840	10,358	16,163	13,912	45,273
Depreciation provided during the year	(3,555)	(13,867)	(62,663)	(23,719)	(103,804)
Disposals	(170)	(1,043)	(25,530)	–	(26,743)
At 31 December 2021, net of accumulated depreciation	180,587	77,301	173,719	69,032	500,639
At 31 December 2021:					
Cost	215,447	144,349	400,457	174,138	934,391
Accumulated depreciation	(34,860)	(67,048)	(226,738)	(105,106)	(433,752)
Net carrying amount	180,587	77,301	173,719	69,032	500,639

As at 31 December 2022 and 2021, no property, plant and equipment was pledged.

15. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
At 1 January:		
Cost	**721,860**	900,550
Accumulated depreciation	**(64,750)**	(62,363)
Net carrying amount	**657,110**	838,187
At 1 January, net of accumulated depreciation	**657,110**	838,187
Additions	**18,340**	14,495
Depreciation provided during the year	**(11,988)**	(15,734)
Disposals	**(83,550)**	(179,838)
At 31 December, net of accumulated depreciation	**579,912**	657,110
At 31 December:		
Cost	**649,120**	721,860
Accumulated depreciation	**(69,208)**	(64,750)
Net carrying amount	**579,912**	657,110

The Group's investment properties primarily consist of carpark spaces. The Group measures its investment properties at historical cost, including transaction costs.

The fair values of the Group's investment properties were approximately RMB637,345,000 as at 31 December 2022. These fair values are determined by the directors of the Company with reference to mainly the valuation performed, using the discounted cash flow ("DCF") approach and the direct market comparison ("DMC").

The valuation for completed properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The fair value of the investment properties is categorised into Level 3 valuations, i.e., fair value measured using significant unobservable inputs, as defined in IFRS 13 *Fair Value Measurement*.

16. LEASE

The Group as lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	**253,086**	225,987
Additions	**102,273**	94,533
Acquisition of subsidiaries	**–**	14,891
Depreciation provided during the year	**(124,301)**	(82,325)
As at 31 December	**231,058**	253,086

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**250,547**	225,764
New leases	**102,273**	94,533
Additions as a result of acquisition of subsidiaries	**–**	12,246
Accretion of interest recognised during the year	**10,603**	9,856
Payments	**(129,879)**	(91,852)
Carrying amount at 31 December	**233,544**	250,547
Analysed into:		
Current	**109,438**	100,938
Non-current	**124,106**	149,609

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

16. LEASE (continued)

The Group as lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Depreciation expense of right-of-use assets	124,301	82,325
Interest expense on lease liabilities	10,603	9,856
Expense relating to short-term leases/leases of low-value assets	65,663	49,780
	200,567	141,961

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 34(b) and 38, respectively, to the financial statements.

17. INTANGIBLE ASSETS

	Customer relationship RMB'000	Goodwill RMB'000	Others RMB'000	Total RMB'000
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

17. INTANGIBLE ASSETS (continued)

	Customer relationship RMB'000	Goodwill RMB'000	Others RMB'000	Total RMB'000
31 December 2021				
At 1 January 2021:				
Cost	913,544	80,208	–	993,752
Accumulated amortisation	(410,744)	–	–	(410,744)
Net carrying amount	502,800	80,208	–	583,008
At 1 January 2021, net of accumulated amortisation	502,800	80,208	–	583,008
Additions	70,198	–	200	70,398
Acquisition of subsidiaries	4,156,250	3,620,014	7,860	7,784,124
Amortisation provided during the year	(193,021)	–	(420)	(193,441)
At 31 December 2021, net of accumulated amortisation	4,536,227	3,700,222	7,640	8,244,089
At 31 December 2021:				
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

Impairment testing of goodwill

Goodwill acquired through business combinations is 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

17. INTANGIBLE ASSETS (continued)

Impairment testing of goodwill (continued)

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

	2022 RMB'000	2021 RMB'000
CWVS Holding Limited	**80,208**	80,208
Bon Property	**1,205,097**	1,205,097
Yango Intelligent	**2,414,917**	2,414,917
	3,700,222	3,700,222

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:

	2022	2021
Annual growth rates of revenue	**10%~24%**	3%~24%
Long-term growth rate	**2%**	2%
Pre-tax discount rates	**16%~17%**	16%~17%

The details of headroom of the Group's goodwill impairment testing were as follows:

	2022	2021
CWVS Holding Limited	**291,617**	320,031
Bon Property	**18,144**	28,436
Yango Intelligent	**52,230**	132,634

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.

17. INTANGIBLE ASSETS (continued)

Impairment testing of goodwill (continued)

No impairment provision was considered necessary if the key assumptions were to be changed as follows:

	2022		2021	
	From	To	From	To
Annual growth rates of revenue	**10%~24%**	**Nil~22%**	3%~24%	1%~22%
Long-term growth rate	**2%**	**Nil**	2%	Nil
Pre-tax discount rates	**16%~17%**	**16%~21%**	16%~17%	17%~21%

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(a) Investments in joint ventures

	2022 RMB'000	2021 RMB'000
Share of net assets	**746,801**	762,838
Goodwill on acquisition	**256,834**	256,834
	1,003,635	1,019,672

There is no individually material joint venture of the Group.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the joint ventures' profit for the year	**(12,656)**	(12,331)
Share of the joint ventures' total comprehensive income	**(12,656)**	(12,331)
Aggregate carrying amount of the Group' investments in the joint ventures	**1,003,635**	1,019,672

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(Continued)

(a) Investments in joint ventures (Continued)

The investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred post-acquisition and that loss event (or events) has an impact on the estimated future cash flows from the investment that can be reliably estimated. The Group assessed that there is no objective evidence that the investment is impaired at the end of the reporting period.

(b) Investments in associates

	2022 RMB'000	2021 RMB'000
Share of net assets	**408,126**	439,602
Goodwill on acquisition	**327,416**	327,416
Loans to associates	**–**	26,542
	735,542	793,560

There is no individually material associate of the Group.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the associates' profit for the year	**3,107**	45,835
Share of the associates' total comprehensive income	**3,107**	45,835
Aggregate carrying amount of the Group' investments in the associates	**735,542**	793,560

The investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred post-acquisition and that loss event (or events) has an impact on the estimated future cash flows from the investment that can be reliably estimated. The Group assessed that there is no objective evidence that the investment is impaired at the end of the reporting period.

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Listed equity investments, at fair value		
Cushman & Wakefield plc	**910,830**	1,497,461

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Current:		
Wealth management products	**–**	3,664
Non-current:		
Equity investments designated at fair value through profit or loss		
– Unlisted equity investments, at fair value	**976**	976

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

21. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

	Note	Accrued expenses RMB'000	Allowance for impairment of receivables RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021		11,620	5,015	741	17,376
Deferred tax credited to/(charged to) profit or loss during the year	*11*	4,013	(6,774)	(5,998)	(8,759)
Deferred taxes acquired in business combinations		11,717	23,718	12,755	48,190
At 31 December 2021 and 1 January 2022		27,350	21,959	7,498	56,807
Deferred tax credited to profit or loss during the year	*11*	7,540	22,173	10,619	40,332
At 31 December 2022		**34,890**	**44,132**	**18,117**	**97,139**

21. DEFERRED TAX (continued)

The movements in deferred tax liabilities during the year are as follows:

	Note	Fair value adjustment on acquisition RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021		68,198	–	68,198
Deferred tax credited to profit or loss during the year	*11*	(19,570)	–	(19,570)
Deferred taxes acquired in business combinations		1,039,063	–	1,039,063
At 31 December 2021 and 1 January 2022		1,087,691	–	1,087,691
Deferred tax (credited)/charged to profit or loss during the year	*11*	(112,522)	14,969	(97,553)
At 31 December 2022		975,169	14,969	990,138

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in Hong Kong of RMB142,560,000 (2021: RMB140,794,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Mainland China of RMB452,445,000 (2021: RMB339,001,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of the following items:

	2022 RMB'000	2021 RMB'000
Tax losses	**522,541**	449,803
Deductible temporary differences	**125,074**	55,233
	647,615	505,036

22. INVENTORIES

	2022 RMB'000	2021 RMB'000
Contract costs	**43,590**	178,843
Other inventories	**26,360**	82,453
	69,950	261,296

23. TRADE AND RETENTION RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade and notes receivables		
– Related parties (note 35)	**2,124,407**	2,046,328
– Third parties	**4,330,843**	2,574,670
Retention receivables	**48,517**	28,138
	6,503,767	4,649,136
Less: Allowance for impairment of trade and retention receivables	**(225,864)**	(134,863)
	6,277,903	4,514,273

Retention receivables are related to revenue earned from the provision of construction of smart 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, typically at the expiry date of the defect liability period.

Trade and notes receivables mainly arise from commercial and urban space integrated 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.

23. TRADE AND RETENTION RECEIVABLES (continued)

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:

	2022 RMB'000	2021 RMB'000
Within 1 year	**5,724,428**	4,237,601
1 to 2 years	**502,923**	236,394
2 to 3 years	**40,661**	25,083
Over 3 years	**9,891**	15,195
	6,277,903	4,514,273

The movements in the loss allowance for impairment of trade and retention receivables are as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**134,863**	36,923
Impairment losses, net	**91,001**	6,847
Acquisition of subsidiaries	**–**	91,093
At the end of the year	**225,864**	134,863

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As at 31 December 2022, the Group has assessed that the expected loss rate for trade and retention receivables from related parties was minimal.

23. TRADE AND RETENTION RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade and retention receivables using a provision matrix:

	Third parties			Related parties	
	Less than 1 year	1 to 3 years	Over 3 years		Total
At 31 December 2022					
Expected credit loss rate	**2.36%**	**17.26%**	**72.02%**	**–**	**–**
Gross carrying amount (RMB'000)	**3,687,039**	**656,975**	**35,346**	**2,124,407**	**6,503,767**
Expected credit losses (RMB'000)	**87,018**	**113,391**	**25,455**	**–**	**225,864**
At 31 December 2021					
Expected credit loss rate	1.96%	19.28%	65.36%	–	–
Gross carrying amount (RMB'000)	2,235,030	323,911	43,867	2,046,328	4,649,136
Expected credit losses (RMB'000)	43,757	62,434	28,672	–	134,863

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Current:		
Other receivables		
– Payments on behalf of property owners (a)	1,428,297	1,431,207
– Deposits	392,822	350,839
– Other receivables	72,467	75,737
	1,893,586	1,857,783
Less: Allowance for impairment of other receivables	(915,050)	(850,014)
	978,536	1,007,769
Prepayments to suppliers	281,362	328,629
Prepayments for tax	437,956	361,232
	1,697,854	1,697,630
Non-current:		
Deposits (b)		
– Amounts due from related parties (note 35)	1,602,676	1,643,056
– Others	153,025	70,227
	1,755,701	1,713,283
Others	633,103	279,200
	2,388,804	1,992,483

Other receivables are unsecured, interest-free and repayable on demand.

(a) The balance represented payments made on behalf of property owners under certain specific circumstances, including but not limited to payments of centralised procurement costs and transitional arrangements for property management projects with temporary working capital needs. Under the Group's policy, such payments on behalf of property owners must be settled within a set period of time depending on the nature of the payment. The Group did not hold any collateral over these balances.

(b) Non-current deposits mainly consist of deposits charged by property developers for carpark space sales assistance services.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The Group has assessed that the credit risk of amounts due from related parties has not increased significantly since initial recognition. At the end of each reporting period, these receivables were categorised in stage 1 and 12-month expected losses are calculated. During the reporting period, the Group considered that the expected loss of other receivables from related parties was minimal.

The Group had assessed the expected loss of other receivables from third parties and classified them into stage 1 to stage 3 for measurement of ECL. A provision matrix was used to measure expected credit losses for other receivables from third parties based on days past due, repayment history, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's other receivables using a provision matrix:

	Third parties			Related parties	
	Stage 1	Stage 2	Stage 3		Total
At 31 December 2022					
Expected credit loss rate	**3.65%**	**41.06%**	**87.94%**	**–**	
Gross carrying amount (RMB'000)	**856,160**	**60,661**	**976,765**	**1,602,676**	**3,496,262**
Expected credit losses (RMB'000)	**31,220**	**24,905**	**858,925**	**–**	**915,050**
At 31 December 2021					
Expected credit loss rate	5.00%	45.50%	82.84%	–	
Gross carrying amount (RMB'000)	864,675	42,653	950,455	1,713,283	3,571,066
Expected credit losses (RMB'000)	43,220	19,409	787,385	–	850,014

The movements in the loss allowance for impairment of other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**850,014**	787,368
Impairment losses, net	**65,036**	61,822
Acquisition of subsidiaries	**–**	10,309
Disposal of subsidiaries	**–**	(9,485)
At the end of the year	**915,050**	850,014

25. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents		
Cash in hand	**19,572**	12,318
Cash at bank	**13,723,509**	7,219,202
	13,743,081	7,231,520
Less: Restricted bank deposits	**(376,188)**	(305,250)
Time deposits with original maturity of over three months	**(21,830)**	(495,713)
	13,345,063	6,430,557
Cash and cash equivalents		
– Dominated in RMB	**13,206,172**	6,418,528
– Dominated in HKD	**133,452**	7,113
– Dominated in USD	**5,439**	4,916
	13,345,063	6,430,557

At the end of the year, the cash and cash equivalents of the Group denominated in RMB amounted to RMB13,206,172,000 (2021: RMB6,418,528,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The restricted bank deposits included cash received from property owners that is restricted to use in construction of properties amounting to RMB292,910,000 (2021: RMB246,319,000) as at 31 December 2022.

26. TRADE AND NOTES PAYABLES

	2022 RMB'000	2021 RMB'000
Trade and notes payables		
– Related parties (note 35)	**905,243**	184,894
– Third parties	**4,414,474**	3,058,356
	5,319,717	3,243,250

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:

	2022 RMB'000	2021 RMB'000
Within 1 year	**5,085,753**	2,915,974
1 to 2 years	**173,480**	277,640
2 to 3 years	**31,191**	21,774
Over 3 years	**29,293**	27,862
	5,319,717	3,243,250

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.

27. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2022 RMB'000	2021 RMB'000
Short-term advances for services	**4,514,977**	4,167,711

Contract liabilities of the Group mainly arise from the advance payments received from customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

28. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Current:		
Other payables		
Amounts due to related parties (note 35)	505,230	519,792
Cash collected on behalf of property owners	2,373,984	1,988,151
Deposits payable	1,026,029	920,859
Dividends	105,536	1,280,017
Accruals and other payables	1,043,809	1,010,511
	5,054,588	5,719,330
Payroll payables	1,555,974	1,664,794
Long-term payables within one year	16,948	60,405
Other taxes payables	212,033	377,453
	6,839,543	7,821,982
Non-current:		
Amounts held on behalf of property owners	955,811	795,463
Long-term payables	7,958	20,076
	963,769	815,539

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.

29. CASH FLOW HEDGE

During the year, the Group entered into several foreign currency forward contracts to sell Hong Kong dollars ("HKD") and meanwhile purchase RMB at a fixed exchange rate for its highly probable forecast foreign currency exchange cashflows to economically hedge against foreign exchange rate fluctuations in terms of the Group's risk management and treasury policies. These foreign currency forward contracts are designated as hedging instruments in cash flow hedges to hedge the exposure risk for foreign exchange rate fluctuations in relation to future forecast sales of HKD derived from the net proceeds from issue of shares. The further forecast are highly probable, and they comprise 100% of the Group's total expected sales in HKD and 100% of its total expected purchases in RMB. The foreign currency forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the forward currency contracts match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the forward currency contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

During the year, the above transactions were completed and the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment. As at 31 December 2022, the Group did not hold any outstanding foreign currency forward contracts.

29. CASH FLOW HEDGE (Continued)

The effects of the cash flow hedge on the consolidated statement of profit or loss and the consolidated statement of comprehensive income are as follows:

	Total hedging gain recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the consolidated statements of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the consolidated statements of profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	RMB'000		Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
Year ended 31 December 2022									
Highly probable forecast sales of Hong Kong dollars derived from IPO proceeds	11,759	(2,940)	8,819	-	N/A	(11,759)	2,940	(8,819)	Other income and gains, net

30. PROVISION

	Provision for warranties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	27,168	21,062	48,230
Additional provision	8,452	16,315	24,767
Amounts utilised during the year	–	(242)	(242)
Acquisition of subsidiaries	–	119	119
At 31 December 2021 and 1 January 2022	35,620	37,254	72,874
Additional provision	47,368	10,478	57,846
Amounts utilised during the year	–	(19)	(19)
Reversal of unutilised amounts	(13,418)	–	(13,418)
At 31 December 2022	**69,570**	**47,713**	**117,283**

31. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
Ordinary shares of RMB1 each	**1,178,469**	1,050,420

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 2021	1,000,000,000	1,000,000
Share issued	50,420,000	50,420
At 31 December 2021 and 1 January 2022	1,050,420,000	1,050,420
Share issued (a):		
Initial public offering	116,714,000	116,714
Over-allotment	11,334,700	11,335
At 31 December 2022	**1,178,468,700**	**1,178,469**

(a) On 29 September 2022, the Company issued 116,714,000 new shares with a par value RMB$1.0 at HK$49.35 per share upon its listing on the Stock Exchange. On 26 October 2022, 11,334,700 additional shares with a par value RMB$1.0 at HK$49.35 per share were over allotted and issued.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 111 to 112 of the financial statements.

(i) Capital reserve

The capital reserve of the Group represents 1) the difference between the par value of the shares issued and the consideration received; 2) the excess of the consideration over the carrying amount of the non-controlling interests acquired/disposed; and 3) the fair value of the share-base payment granted.

(ii) Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of financial assets at fair value through other comprehensive income comprises all revaluation changes arising from the equity instruments designated at fair value through other comprehensive income.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

(iv) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve is non-distributable except that in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

33. STEP ACQUISITION OF 51% SHAREHOLDING IN A FORMER ASSOCIATE

Pursuant to an equity transfer agreement between a subsidiary of the Group, Shenzhen Yuying and Beijing Capital Land Ltd. (首創置業有限公司), an independent third party, the Group acquired a 51% equity interest in Shouwan Yuye (Shanghai) Property Services Co., Ltd. (首萬譽業(上海)物業服務有限公司) ("Shouwan Yuye"). Prior to this acquisition, the Group owned a 49% equity interest of Shouwan Yuye. Upon the completion of this acquisition, the Group held a 100% of the equity interest in Shouwan Yuye on 7 May 2022.

The above acquisition has been accounted for as an acquisition of assets as this acquisition had no attribution of a business. As at the acquisition date, the Group remeasured the fair value of the previously held equity interest of Shouwan Yuye and recognised the gain on remeasurement of this previously held interest, which amounted to RMB215,563,000.

The identified assets and liabilities acquired by the Group in the above acquisition were as follows:

	RMB'000
Total identifiable net assets	484,949
Including:	
Cash and cash equivalents	56,417
Intangible assets	510,385
Satisfied by:	
Cash and cash equivalents	247,324
Fair value of previously held equity interest remeasured at the date of acquisition	237,625
	484,949

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration	247,324
Cash and cash equivalents acquired	(56,417)
Net outflow of cash and cash equivalents included in cash flows from investing activities	190,907

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

Non-cash investing and financing activities disclosed in other notes are:

- Non-cash additions to right-of-use assets and lease liabilities – Note 16

(b) Changes in liabilities arising from financing liabilities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	14,089	225,764	239,853
Increase arising from acquisition of subsidiaries	19,981	12,246	32,227
Changes from financing cash flows	(18,753)	(91,852)	(110,605)
New leases	–	94,533	94,533
Interest expense	351	9,856	10,207
Foreign exchange movement	(81)	–	(81)
At 31 December 2021 and 1 January 2022	15,587	250,547	266,134
Changes from financing cash flows	(16,202)	(129,879)	(146,081)
New leases	–	102,273	102,273
Interest expense	625	10,603	11,228
Foreign exchange movement	(10)	–	(10)
At 31 December 2022	**–**	**233,544**	**233,544**

35. RELATED PARTY TRANSACTIONS

(a) Name and relationship with a related party

The ultimate holding company is China Vanke.

(b) Transactions with related parties

The Group had the following transactions with related parties during the year:

	Notes	**2022 RMB'000**	2021 RMB'000
Purchases of investment properties			
The ultimate holding company and its subsidiaries (the "China Vanke Group")	*(i)*	**6,334**	14,495
Receipts of services			
China Vanke Group	*(ii)*	**9,902**	61,078
Associates and joint ventures of China Vanke Group	*(iii)*	**4,486,304**	3,699,928
		4,496,206	3,761,006
Lease of office space			
China Vanke Group	*(iv)*	**25,211**	23,797
Rendering of services	*(v)*		
China Vanke Group		**4,289,011**	3,820,494
Associates and joint ventures of China Vanke Group		**752,848**	885,714
		5,041,859	4,706,208

35. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

Notes:

(i) The purchase of investment properties refers to the purchase of parking spaces and other assets. The fees to be charged for the purchase of investment properties shall be determined with reference to the historical transaction amounts during the reporting period and the prevailing market purchase of similar assets offered by the independent third parties.

(ii) Receipts of services from China Vanke Group refer to the purchase of accounting auxiliary services, technology system usage and maintenance services. The fees to be charged for these services shall be determined with reference to the prevailing market prices and prices for similar services offered by the independent third parties.

(iii) Receipts of services from associates and joint ventures of China Vanke Group refer to the purchase of security service, cleaning service and electromechanical maintenance service. The fees to be charged for the security service and electromechanical maintenance service will be determined with reference to, where applicable, (1) the prevailing market prices of similar services; (2) the anticipated operation costs (including but not limited to the scope and standards of particular services to be offered, labour costs, administration costs and costs of materials); and (3) the prices for similar services offered by the independent third parties.

(iv) The fees to be charged for the property lease shall be determined with reference to the historical transaction amounts during the reporting period and the prevailing market rent of similar properties located in similar areas offered by the independent third parties.

(v) Rendering of services refers to the space management service and value-added commercial services. The fees to be charged for the space management services will be determined with reference to, where applicable, (1) the guidance rate published by the relevant government authorities; (2) the prevailing market rate (taking into consideration the location and condition of the properties); (3) the anticipated operation costs (including but not limited to the scope and standards of particular services to be offered, labour costs, administration costs and costs of materials); and (4) the prices charged by the Group for providing comparable services to the independent third parties.

35. RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

	Notes	2022 RMB'000	2021 RMB'000
Trade and retention receivables	*(i)*		
China Vanke Group		**1,707,109**	1,587,756
Associates and joint ventures of China Vanke Group		**417,298**	458,572
		2,124,407	2,046,328
Prepayments, deposits and other receivables	*(ii)*		
China Vanke Group		**1,455,849**	1,286,933
Associates and joint ventures of China Vanke Group		**146,827**	356,123
		1,602,676	1,643,056
Trade and notes payables	*(i)*		
Associates and joint ventures of China Vanke Group		**905,243**	184,894
Other payables and accruals	*(i)*		
Other payables			
China Vanke Group		**341,372**	417,008
Associates and joint ventures of China Vanke Group		**163,858**	102,784
		505,230	519,792
Long-term payables within one year			
China Vanke Group		**12,930**	53,671
Associates and joint ventures of China Vanke Group		**4,018**	6,734
		16,948	60,405
Long-term payables			
China Vanke Group		**4,729**	15,674
Associates and joint ventures of China Vanke Group		**1,009**	1,127
		5,738	16,801
		527,916	596,998
Contract liabilities	*(i)*		
China Vanke Group		**105,539**	114,587
Lease liabilities	*(i)*		
China Vanke Group		**35,336**	37,769

35. RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

Notes:

(i) Trade and retention receivables from related parties, trade and notes payables to related parties, contract liabilities to related parties, other payables and accruals to related parties and lease liabilities to related parties are trade in nature.

(ii) Prepayments, deposits and other receivables from related parties mainly consist of deposits charged by property developers for carpark space sales assistance services, which are trade in nature.

(d) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**2,947**	3,269
Discretionary bonuses	**11,552**	17,772
Pension costs, housing funds, medical insurances and other social insurances	**433**	393
	14,932	21,434

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Cash and cash equivalents	–	–	13,345,063	13,345,063
Time deposits with original maturity of over three months	–	–	21,830	21,830
Restricted bank deposits	–	–	376,188	376,188
Financial assets at fair value through profit or loss	976	–	–	976
Trade and retention receivables	–	–	6,277,903	6,277,903
Financial assets included in prepayments, deposits and other receivables	–	–	2,734,237	2,734,237
Equity investments designated at fair value through other comprehensive income	–	910,830	–	910,830
	976	910,830	22,755,221	23,667,027

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	–	5,319,717	5,319,717
Financial liabilities at fair value through profit or loss	191,792	–	191,792
Financial liabilities included in other payables and accruals	–	6,008,979	6,008,979
Lease liabilities	–	233,544	233,544
	191,792	11,562,240	11,754,032

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2021

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets designated at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Cash and cash equivalents	–	–	6,430,557	6,430,557
Time deposits with original maturity of over three months	–	–	495,713	495,713
Restricted bank deposits	–	–	305,250	305,250
Financial assets at fair value through profit or loss	4,640	–	–	4,640
Trade and retention receivables	–	–	4,514,273	4,514,273
Financial assets included in prepayments, deposits and other receivables	–	–	2,721,052	2,721,052
Equity investments designated at fair value through other comprehensive income	–	1,497,461	–	1,497,461
	4,640	1,497,461	14,466,845	15,968,946

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	–	3,243,250	3,243,250
Financial liabilities at fair value through profit or loss	191,792	–	191,792
Financial liabilities included in other payables and accruals	–	6,562,555	6,562,555
Lease liabilities	–	250,547	250,547
Interest-bearing bank borrowings	–	15,587	15,587
	191,792	10,071,939	10,263,731

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2022, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair value of trade and retention receivables, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade and notes payables, financial liabilities included in other payables and accruals, lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables, the non-current portion of other payables and accruals and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair values as at 31 December 2022 were assessed to be insignificant.

The fair value of a listed equity investment is based on quoted market prices.

The Group invests in debt investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the expected future interest return on maturity of the wealth management product instruments.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Equity investments at fair value through other comprehensive income				
Listed equity investments	910,830	–	–	910,830
Financial assets at fair value through profit or loss	–	–	976	976
	910,830	–	976	911,806
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	191,792	191,792

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Equity investments at fair value through other comprehensive income				
Listed equity investments	1,497,461	–	–	1,497,461
Financial assets at fair value through profit or loss	–	3,664	976	4,640
	1,497,461	3,664	976	1,502,101
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	191,792	191,792

For the equity investments designated at fair value through profit or loss, fair value was determined by the changes in the net assets of the unlisted equity entity. If the net assets had increased/decreased by 10% with all other variables held constant, the profit before income tax for the year ended 31 December 2022 would have been approximately RMB97,600 (2021: RMB97,600) higher/lower.

Fair value of financial liabilities measured within Level 3 fair value measurement is mainly affected by changes of the discount rate. If the discount rate had increased/decreased by 10% with all other variables held constant, the profit before income tax for the year ended 31 December 2022 would have been approximately RMB970,000 (2021: RMB2,375,000) higher/lower.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include restricted bank deposits, cash and cash equivalents, trade and other receivables, trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as financial assets at fair value through profit or loss, time deposits with original maturity of over three months, lease liabilities, amounts due to related parties and amounts due from related parties. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign exchange rates. Fluctuations in exchange rates between US and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. As at the end of the reporting period, since the Group did not hold any financial instruments denominated in currencies other than the functional currencies of the respective operating units, the Group did not have any significant exposure to the foreign currency risk.

Credit risk

The Group is exposed to credit risk in relation to its trade and retention receivables, other receivables, cash and cash equivalents, time deposits with original maturity of over three months and restricted bank deposits.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted bank deposits since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group expects the credit risk associated with trade and retention receivables and other receivables due from related parties to be low, since the related parties have strong capacity to meet contractual cash flow obligations in the near term.

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade and retention receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

31 December 2022	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and retention receivables*	–	–	–	6,503,767	6,503,767
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,458,836	60,661	–	–	2,519,497
– Doubtful**	–	–	976,765	–	976,765
Restricted bank deposits					
– Not yet past due	376,188	–	–	–	376,188
Time deposits with original maturity of over three months					
– Not yet past due	21,830	–	–	–	21,830
Cash and cash equivalents					
– Not yet past due	13,345,063	–	–	–	13,345,063
	16,201,917	60,661	976,765	6,503,767	23,743,110

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

31 December 2021	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and retention receivables*	–	–	–	4,676,818	4,676,818
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,577,958	42,653	–	–	2,620,611
– Doubtful**	–	–	950,455	–	950,455
Restricted bank deposits					
– Not yet past due	305,250	–	–	–	305,250
Time deposits with original maturity of over three months					
– Not yet past due	495,713	–	–	–	495,713
Cash and cash equivalents					
– Not yet past due	6,430,557	–	–	–	6,430,557
	9,809,478	42,653	950,455	4,676,818	15,479,404

* For trade and retention receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of financial assets included in prepayments and other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of funds to cover expected cash demands, subject to approval by management and directors when the borrowings exceed certain predetermined levels of authority.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Less than 12 months RMB'000	**1 to 5 years RMB'000**	**Total RMB'000**
As at 31 December 2022			
Trade and notes payables	**5,319,717**	**–**	**5,319,717**
Financial liabilities at fair value through profit or loss	**191,792**	**–**	**191,792**
Financial liabilities included in other payables and accruals	**5,045,210**	**963,769**	**6,008,979**
Lease liabilities	**115,617**	**132,939**	**248,556**
	10,672,336	**1,096,708**	**11,769,044**

	Less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
As at 31 December 2021			
Trade and notes payables	3,243,250	–	3,243,250
Financial liabilities at fair value through profit or loss	191,792	–	191,792
Financial liabilities included in other payables and accruals	5,747,016	815,539	6,562,555
Lease liabilities	111,161	158,127	269,288
Interest-bearing bank borrowings	11,531	4,103	15,634
	9,304,750	977,769	10,282,519

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as total interest-bearing borrowings minus cash and cash equivalents divided by total equity as of the end of the reporting period.

As at 31 December 2022 and 2021, the Group maintained at net cash position.

39. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 12.

40. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**2,849**	3,540
Right-of-use assets	**10,012**	19,392
Investments in subsidiaries	**7,189,984**	6,738,984
Investments in joint ventures and associates	**67,675**	74,247
Prepayments, deposits and other receivables	**1,631**	4,187
Total non-current assets	**7,272,151**	6,840,350
CURRENT ASSETS		
Trade and retention receivables	**15,980**	47,982
Prepayments, deposits and other receivables	**10,795,119**	10,289,837
Restricted bank deposits	**4,725**	2,122
Time deposits with original maturity of over three months	**–**	486,000
Cash and cash equivalents	**11,601,431**	3,838,642
Total current assets	**22,417,255**	14,664,583

40. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Continued)

	2022 RMB'000	2021 RMB'000
CURRENT LIABILITIES		
Contract liabilities	3,934	2,944
Other payables and accruals	14,404,725	12,559,114
Lease liabilities	9,413	13,516
Tax payable	52,713	23,982
Total current liabilities	14,470,785	12,599,556
NET CURRENT ASSETS	7,946,470	2,065,027
TOTAL ASSETS LESS CURRENT LIABILITIES	15,218,621	8,905,377
NON-CURRENT LIABILITIES		
Other payables and accruals	7	7
Lease liabilities	1,299	6,975
Total non-current liabilities	1,306	6,982
Net assets	15,217,315	8,898,395
EQUITY		
Share capital	1,178,469	1,050,420
Other reserves (note)	14,038,846	7,847,975
Total equity	15,217,315	8,898,395

40. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2021	2,314,738	325,298	1,518,464	4,158,500
Total comprehensive income for the year	–	–	2,246,214	2,246,214
Dividends declared	–	–	(3,537,000)	(3,537,000)
Issue of shares	4,980,261	–	–	4,980,261
Transferred from retained earnings	–	199,912	(199,912)	–
At 31 December 2021 and 1 January 2022	7,294,999	525,210	27,766	7,847,975
Total comprehensive income for the year	–	–	697,273	697,273
Issue of shares	5,599,585	–	–	5,599,585
Share issue expenses	(105,987)	–	–	(105,987)
Transferred from retained earnings	–	70,967	(70,967)	–
At 31 December 2022	12,788,597	596,177	654,072	14,038,846

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2023.